Toronto Hydro-Electric System Limited

EB-2018-0165

OEB Staff Compendium

Panel 2

TAB 1

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July 3, 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- Update to Appendix 2-M
OEB File No. EB-2018-0165

With this letter, Toronto Hydro is updating its Custom IR application costs, which are a subset of Toronto Hydro's total OM&A costs. This update reflects Toronto Hydro's latest actuals and forecasts. Program and total OM&A requests are accordingly adjusted upwards by $939,885, which is the difference between the previously filed application costs and this updated forecast.

Enclosed is a revised Appendix 2-M, originally updated January 21, 2019 (Exhibit 4A, Tab 2, Schedule 18, Appendix A). Reflecting this update in Program and total OM&A evidence will occur during the Draft Rate Order process.

Panel 2 can address any questions related to this updated evidence.

Yours truly,

Andrew J. Sasso
Director, Regulatory Affairs
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

OEB Appendix 2-M
Regulatory Cost Schedule

TO BE UPDATED AT THE DRAFT RATE ORDER STAGE

	Regulatory Cost Category	USoA Account	USoA Account Balance	Last Rebasing Year (2015 Board Approved)	Last Rebasing Year (2015 Actual)	Most Current Actuals Year 2017	2018 Bridge Year	Annual % Change	2020 Test Year	Annual % Change	
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)=[(G)-(F)]/(F)	(I)	(J) = [(I)-(G)]/(G)	
	Regulatory Costs (Ongoing)										
1	OEB Annual Assessment			$ 3,270,672	$ 3,169,065	$ 3,415,249	$ 4,007,971	17.36%	$ 4,297,340	7.22%	
2	OEB Section 30 Costs (OEB-initiated)			$ 200,658	$ 268,638	$ 54,909	$ 150,000	173.18%	$ 156,060	4.04%	
3	Expert Witness costs for regulatory matters										
4	Legal costs for regulatory matters										
5	Consultants' costs for regulatory matters										
6	Operating expenses associated with staff resources allocated to regulatory matters										
7	Operating expenses associated with other resources allocated to regulatory matters [1]										
8	Other regulatory agency fees or assessments			$ 800	$ 800	$ 800	$ 800	0.00%	$ 800	0.00%	
9	Any other costs for regulatory matters (please define)										
10	Intervenor costs										
11											
12											
	Regulatory Costs (One-Time)										
1	Expert Witness costs			note 4	note 4				note 4		
2	Legal costs			$ 2,738,150	$ 1,842,785				$ 3,775,000		/C
3	Consultants' costs			$ 2,583,178	$ 2,773,742				$ 3,742,000		/C
4	Incremental operating expenses associated with staff resources allocated to this application.										
5	Incremental operating expenses associated with other resources allocated to this application. [1]										
6	Intervenor costs			$ 650,000	$ 837,076				$ 1,200,000		
7	OEB Section 30 Costs (application-related)				$ 438,714				$ 700,000		
8	Operating Expenses - Printing				$ 167,845				$ 154,534		
9	Operating Expenses - Miscellaneous				$ 7,596				$ 14,416		
10											
1	Sub-total - Ongoing Costs [2]		$ -	$ 3,472,130	$ 3,438,503	$ 3,470,958	$ 4,158,771	19.82%	$ 4,454,200	7.10%	
2	Sub-total - One-time Costs [3]		$ -	$ 5,971,328	$ 6,067,757	$ -	$ -		$ 9,585,950		
3	Total		$ -	$ 9,443,458	$ 9,506,261	$ 3,470,958	$ 4,158,771	19.82%	$ 14,040,015	237.60%	

Application-Related One-Time Costs	Total
Total One-Time Costs Related to Application to be Amortized over IRM Period	$ 9,585,950
1/5 of Total One-Time Costs	$ 1,917,190

Notes:

[1] Please identify the resources involved.
[2] Sum of all ongoing costs.
[3] Sum of all one-time costs.
[4] Expert Witness and Consulting costs are aggregated.

REGULATORY COSTS

For this Application, Hydro One's regulatory costs will be recovered in the year in which they are incurred. The regulatory costs are not amortized and are included in the forecasted budget in the approved business plan in the years in which they are incurred.

A large portion of regulatory costs includes ongoing OEB cost assessments. These are quarterly expenses which are assumed in the forecasted budget. In 2016, the OEB changed the cost assessment model in which Hydro One's portion was reduced compared to the previous model. The OEB assessments and total costs for Regulatory Affairs can be found in Exhibit C1, Tab 1, Schedule 7.

The following table provides an estimate of the costs related to this Application.

Table 1: Estimated Costs for Current Application ($ Millions)

Description	**Historical Year(s)**	**2017 Bridge Year**	**2018 Test Year**
Consultant/Expert Witness Costs	1.5	0.4	-
Legal Costs	-	1.6	-
Intervenor and Stakeholder Costs	0.4	0.7	-
Total	**1.9**	**2.7**	**-**

For this Application, Hydro One engaged consultants/expert witnesses to complete a number of benchmarking studies and reports, most of which were directed in the OEB's previous Decision in EB-2013-0416. Reports that were completed include:

- A total factor productivity study of Hydro One's own productivity, including data from 2002 and onwards;

Witness: Oded Hubert

- A total cost benchmarking study comparing Hydro One Distribution to an industry peer group;
- A comprehensive trend analysis of the vegetation management program showing year-over-year comparisons in unit costs;
- A best practices study for vegetation management similar to the CN Utility study filed in EB-2009-0096;
- An external benchmarking study on the unit cost of the pole replacement program;
- An internal trend analysis to show the variability of the unit costs of the pole replacement program year-over-year;
- An external benchmarking study on the unit cost of the station refurbishment program;
- An internal trend analysis to show the variability of the unit costs of the station refurbishment program year-over-year;
- A compensation study similar to the study filed as part of the application considered in EB-2013-0416 to allow benchmarking to comparable companies;
- A study assessing whether miscellaneous service charges reflect Hydro One’s underlying costs;
- A review and report on Hydro One’s Distribution System Plan;
- A depreciation study;
- A lead-lag study; and
- A common cost allocation study.

The estimated consultant/expert witness costs include the cost of the various studies and reports, as well as the cost for the expert who wrote each study to testify in the Hydro One proceeding.

Legal costs for this Application will include time spent for preparation of evidence, a technical conference, the oral hearings and arguments.

Intervenor and stakeholder costs for this Application include the stakeholder sessions held in preparing the Application and in preparing for and participating in the oral hearing.

Appendix 2-M
Regulatory Cost Schedule

	Regulatory Cost Category	USoA Account	USoA Account Balance	Ongoing or One-time Cost? [2]	Last Rebasing Year (2013 Board Approved)	Most Current Actuals Year 2018	2019 Bridge Year	Annual % Change	2020 Test Year	Annual % Change
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H) = [(G)-(F)]/(F)	(I)	(J) = [(I)-(G)]/(G)
1	OEB Annual Assessment			On-Going		$ 8,444	$ 7,900	-6.44%	$ 8,098	2.51%
2	OEB Section 30 Costs (Applicant-originated)			One-Time		$ 457	$ 150	-67.18%	$ 150	0.00%
3	OEB Section 30 Costs (OEB-initiated)			One-Time		$ 186	$ 94	-49.46%	$ 100	6.38%
4	Expert Witness costs for regulatory matters			One-Time		$ -	$ -		$ -	
5	Legal costs for regulatory matters			One-Time	-	$ -	$ -		$ -	
6	Consultants' costs for regulatory matters			One-Time		$ 1,359	$ 694	-48.93%	$ 710	2.31%
7	Operating expenses associated with staff resources allocated to regulatory matters			On-Going		$ 8,660	$ 8,209	-5.21%	$ 8,341	1.61%
8	Operating expenses associated with other resources allocated to regulatory matters [1]			On-Going						
9	Other regulatory agency fees or assessments			On-Going		$ 1,396	$ 1,000	-28.37%	$ 1,025	2.50%
10	Any other costs for regulatory matters (please define)			One-Time		$ 1,171	$ 510	-56.45%	$ 523	2.55%
11	Intervenor costs			One-Time		$ 2,183	$ 1,306	-40.17%	$ 1,339	2.53%
12	Sub-total - Ongoing Costs [3]		$ -		$ -	$ 18,500	$ 17,109	-7.52%	$ 17,464	2.07%
13	Sub-total - One-time Costs [4]		$ -		$ -	$ 5,356	$ 2,754	-48.58%	$ 2,822	2.47%
14	Total		$ -		$ -	$ 23,856	$ 19,863	-16.74%	$ 20,286	2.13%

Please fill out the following table for all <u>one-time</u> costs related to this cost of service application to be amortized over the test year plus the IRM period.

		Historical Year(s)	2019 Bridge Year	2020 Test Year
2	OEB Section 30 Costs (Applicant-originated)		150	
4	Expert Witness costs/Consultants' costs		550	
5	Legal costs		2,000	
10	Any other costs for regulatory matters (please define)		125	
11	Intervenor costs		900	

Notes:

1 Please identify the resources involved. Resources involved include printing, training, and other.
2 Where a category's costs include both one-time and ongoing costs, the applicant should prove a separate breakdown between one-time and ongoing costs.
3 Sum of all ongoing costs identified in rows 1 to 11 inclusive.
4 Sum of all one-time costs identified in rows 1 to 11 inclusive.

	2020-2024 Toronto Hydro (F)	2015-2019 Toronto Hydro (A)	HONI Dx (EB-2017-0049) (F)	HONI Tx (EB-2019-0082) (F)
Legal Costs	$ 3,775,000.00	$ 1,842,785.00	$ 1,600,000.00	$ 2,000,000.00
Consultant Costs	$ 3,742,000.00	$ 2,773,742.00	$ 1,900,000.00	$ 550,000.00
Sub-Total	**$ 7,517,000.00**	**$ 4,616,527.00**	**$ 3,500,000.00**	**$ 2,550,000.00**
Intervenor Costs	$ 1,200,000.00	$ 837,076.00	$ 1,100,000.00	$ 900,000.00
Application-related Section 30 Costs	$ 700,000.00	$ 438,714.00		$ 150,000.00
Application-related Operating Expenses	$ 168,950.00	$ 175,441.00		$ 125,000.00
Sub-Total	**$ 2,068,950.00**	**$ 1,451,231.00**	**$ 1,100,000.00**	**$ 1,175,000.00**
Total	**$ 9,585,950.00**	**$ 6,067,758.00**	**$ 4,600,000.00**	**$ 3,725,000.00**
Ref:	Appendix 2-M (Updated July 3/ 2019)	Appendix 2-M (Updated July 3/ 2019)	C1/T5/S2/p.1	Appendix 2-M

TAB 2

Updated JTC3.22
COMPENSATION TABLE BROKEN DOWN BY CATEGORY

	2015 Actuals	2016 Actuals	2017 Actuals	2018 Actuals	2019 Bridge	2020 Test
Number of Employees (FTEs including Part-Time)						
EXECUTIVE	6	6	7	5	5	5
MANAGERIAL	55	63	63	67	63	62
NON-MANAGEMENT, NON-UNION	433	467	487	498	575	571
CONTRACT FOR A DEFINED TERM	62	54	62	66	32	32
SOCIETY	53	56	60	65	68	69
PWU	874	837	794	724	779	778
TOTAL	**1483**	**1484**	**1473**	**1425**	**1523**	**1517**
Total Salary and Wages (including overtime and incentive pay)						
EXECUTIVE	$ 2,486,891	$ 2,397,404	$ 2,704,552	$ 2,378,602	$ 2,369,718	$ 2,447,034
MANAGERIAL	$ 9,805,887	$ 11,755,405	$ 12,267,327	$ 13,340,028	$ 13,109,022	$ 13,272,778
NON-MANAGEMENT, NON-UNION	$ 48,506,203	$ 52,019,203	$ 55,078,497	$ 59,303,319	$ 67,065,064	$ 68,706,809
CONTRACT FOR A DEFINED TERM	$ 4,069,184	$ 3,102,383	$ 3,720,714	$ 4,373,705	$ 2,021,081	$ 2,079,265
SOCIETY	$ 6,273,163	$ 6,387,993	$ 7,345,852	$ 7,857,253	$ 8,730,321	$ 9,026,473
PWU	$ 87,126,813	$ 84,638,474	$ 81,994,788	$ 79,475,009	$ 82,701,776	$ 83,908,086
TOTAL	**$ 158,268,141**	**$ 160,300,862**	**$ 163,111,731**	**$ 166,727,914**	**$ 175,996,982**	**$ 179,440,444**
Total Benefits (Current + Accrued)						
EXECUTIVE	$ 598,384	$ 566,562	$ 632,406	$ 539,960	$ 665,170	$ 734,128
MANAGERIAL	$ 2,974,938	$ 3,352,572	$ 3,570,450	$ 3,766,985	$ 4,179,752	$ 4,525,916
NON-MANAGEMENT, NON-UNION	$ 16,385,374	$ 17,012,868	$ 18,183,579	$ 18,346,608	$ 23,558,997	$ 25,786,722
CONTRACT FOR A DEFINED TERM	$ 325,760	$ 255,326	$ 298,873	$ 347,999	$ 154,150	$ 157,539
SOCIETY	$ 2,186,586	$ 2,147,661	$ 2,485,728	$ 2,558,950	$ 2,828,604	$ 3,115,494
PWU	$ 30,356,391	$ 28,722,633	$ 28,143,352	$ 25,433,165	$ 28,114,097	$ 30,449,486
TOTAL	**$ 52,827,432**	**$ 52,057,622**	**$ 53,314,387**	**$ 50,993,668**	**$ 59,500,771**	**$ 64,769,286**
Total Compensation (Salary, Wages, & Benefits)						
EXECUTIVE	$ 3,085,275	$ 2,963,967	$ 3,336,959	$ 2,918,562	$ 3,034,888	$ 3,181,162
MANAGERIAL	$ 12,780,825	$ 15,107,977	$ 15,837,777	$ 17,107,012	$ 17,288,774	$ 17,798,694
NON-MANAGEMENT, NON-UNION	$ 64,891,577	$ 69,032,071	$ 73,262,076	$ 77,649,927	$ 90,624,061	$ 94,493,531
CONTRACT FOR A DEFINED TERM	$ 4,394,944	$ 3,357,709	$ 4,019,587	$ 4,721,704	$ 2,175,231	$ 2,236,804
SOCIETY	$ 8,459,748	$ 8,535,654	$ 9,831,580	$ 10,416,204	$ 11,558,925	$ 12,141,967
PWU	$ 117,483,204	$ 113,361,107	$ 110,138,140	$ 104,908,173	$ 110,815,873	$ 114,357,572
TOTAL	**$ 211,095,573**	**$ 212,358,484**	**$ 216,426,119**	**$ 217,721,582**	**$ 235,497,752**	**$ 244,209,730**

In 2018, Toronto Hydro's total compensation was $8.2 million below the forecast in Exhibit 4A, Tab 4. This variance is mainly attributable to a lower number of FTEs than forecasted, as explained below in section 3.

In 2019, Toronto Hydro expects total compensation costs to increase by $17.8 million relative to 2018 Actuals. This variance is primarily driven by general salary increases, expected FTE increases, and associated benefit costs.

3. Staffing Levels

Toronto Hydro hired a lower number of FTEs in 2018 than the utility forecasted. This was in large part due to the delay experienced in hiring Certified Power Line Persons (CPLP) resources as a result of the utility's efforts to negotiate a harmonized Power Line Technician ("PLT") role with the Power Workers Union (PWU) during the 2017-2018 labour bargaining process. The PLT role offers Toronto Hydro access to trades that have broader skillset as PLTs can work on both underground and overhead distribution assets. The role provides the utility more resource flexibility to execute planned work and respond to operational challenges on the ground, such as weather related contingencies. Toronto Hydro pursued this role in the bargaining process as part of its continuous efforts to find efficiencies in the execution of its capital and operational work programs. Despite Toronto Hydro's best efforts, the PLT role could not be negotiated with the PWU, and this contributed to delays in hiring CPLP trades.

The remainder of the variance is due to vacancies resulting from the utility's efforts to manage cost pressures within the rates set for the 2015 to 2019 period.

RESPONSES TO OEB STAFF INTERROGATORIES

INTERROGATORY 185:

Reference(s): **Exhibit U, Tab 4A, Schedule 3, p. 2**
Exhibit U, Tab 4A, Schedule 3, Appendix A

<u>Preamble:</u>

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).

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).

RESPONSE:

a) The unsuccessful negotiation with the Power Workers' Union (PWU) to hire into the Power Line Technician (PLT) position has resulted in a hiring delay of approximately 50 FTEs for 2019. In April 2019, the utility initiated hiring into the PLT role without the union's support. This role, which is a standard in the industry and a recognized red seal trade, provides Toronto Hydro enhanced flexibility to deploy internal resources to work on both underground and overhead assets. Toronto Hydro is pursuing the PLT position because it believes that it is in the best interests of customers as it enables more efficient execution of work and increases the utility's ability to respond to customers.

Between January and May 2019, 59 new external employees were hired. The delay in hiring PLTs is expected to some impact on 2019 and 2020 FTEs. However, in accordance with the utility's multi-faceted staffing strategy, Toronto Hydro continues to rely on both internal and external resources to deliver its work plans and provide safe and reliable service to customers. Over the 2020-2024 period, the utility intends to continue to replenish its certified and skilled trade positions, including the new PLT role. This effort must be paced to ensure the safe absorption of new resources and proper knowledge transfer from retiring employees.

b) Please refer to Toronto Hydro's response to interrogatory U-VECC-87 part (b).

TAB 3

RESPONSES TO OEB STAFF INTERROGATORIES

INTERROGATORY 184:

Reference(s): **Exhibit U, Tab 4A, Schedule 1, p. 9**
JTC3.10

<u>Preamble:</u>

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.

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.

RESPONSE:

a) Table 1 below shows the detailed breakdown of the $5.3 million variance between the Customer Care Program costs for 2018 between Exhibit 4A, Tab 2, Schedule 14 and Exhibit U, Tab 4A, Schedule 1, section 2.14:

Table 1: Detailed breakdown of Customer Care Program costs ($ Millions)

	2018 Bridge	2018 Actual	Variance
Internal Labour	16.0	15.5	**(0.5)**
External Services	15.2	13.1	**(2.1)**
Materials	0.2	0.1	**(0.1)**
Other	11.6	9.0	**(2.7)**
Total	**43.0**	**37.7**	**(5.3)**

Note 1: Differences may exist due to rounding.

The variance in 2018 is primarily attributable to the following factors:

- Internal labour costs were lower due to the timing of filling vacant positions. A number of vacancies were filled in the latter part of 2018 and additional hiring is planned for 2019, which will return the labour costs back to forecasted levels. Toronto Hydro was able to temporarily mitigate the resource shortage by hiring short term contractors, reprioritizing project work, and adjusting project scopes.
- External Services were lower than forecasted because of temporary underspend in services needed to support the management of bad debt. Toronto Hydro is currently putting into action an alternative arrears management strategy to better align its operations with the seasonality of the new disconnections policy. This strategy, which began to take effect in 2019, is needed to ensure that residential bad debt costs continue to be managed in an effective way under the winter disconnections moratorium framework.

- In the Other category, Toronto Hydro experienced a downward adjustment in the accounting provision for bad debt for both electricity accounts and non-electricity accounts. Please refer to part (c) of this response for more information.

b) Please see Table 2 below:

Table 2: Bad Debt Expense 2015 to 2020 ($ Millions)

	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Bridge	2020 Test
Non-Electricity Accounts	0.5	(1.7)	0.6	(0.0)	0.3	0.3
Electricity Accounts	6.6	5.2	4.7	4.4	6.7	6.8
Total Bad Debt Expense	**7.1**	**3.5**	**5.3**	**4.3**	**6.9**	**7.1**

Note 1: Differences may exist due to rounding.

c) The trends and observations outlined in Toronto Hydro's response to undertaking JTC3.10 are valid because they reflect management's experienced assessment of the key factors and indictors that affect bad debt levels. Historical experience is one of the indicators that Toronto Hydro uses to forecast bad debt. However, historical results in any one year are not a reliable indicator of future results because bad debt write-offs are a lagging measure, can vary significantly year over year, and are influenced by a variety of factors. For these reasons, Toronto Hydro's experience is that when forecasting bad debt, a longer-term historical view is more appropriate and useful. When this view is applied in the context of the 2020 test year, the forecasted amounts are aligned with the utility's historical experience dating back to 2015.

As noted above, in forecasting bad debt Toronto Hydro considers a number of other factors in addition to historical performance. This includes macroeconomic indicators, interest rate trends, bankruptcy trends, customer growth, and public policy changes such as the reduction in security deposit holding periods for small business customers pursuant to the upcoming Customer Service Rules changes.

Furthermore, as outlined in JTC3.10, the bad debt risk is expected to increase in 2020 because of the longer periods of time for which residential customer debt remains outstanding over the winter disconnection moratorium. The relatively lower bad debt write-offs experienced in 2017 and 2018 years are likely attributable to lower average billed amounts as a result of recent public policy initiatives such as the Fair Hydro Plan, and the longer timespan over which receivables remain outstanding (the duration from initial billing to write-off) due to the winter disconnection moratorium. In the 2020 test year, as the growing body of debt moves through to the end of the collection process, Toronto Hydro expects to see higher write-offs than in recent years, similar to pre-2017 levels.

Toronto Hydro also notes that up to 50 percent of bad debt in any given year relates to commercial accounts, and is subject to different influences. As can be seen in Figure 3 and Figure 4 of the response to JTC3.10, both the overall commercial accounts receivable balances and the commercial average balance per customer are somewhat higher in 2018 versus 2015 levels, after peaking in 2016.

Hydro does not believe there to be any meaningful way to isolate the contributory impact of monthly billing on its bad debt totals.

Table 12: Toronto Hydro's Bad Debt ($ Millions)

2015 Actual	2016 Actual	2017 Actual	2018 Forecast	2019 Forecast
6.6	5.2	5.3	6.5	6.7

In terms of corporate communications, the implementation of monthly billing has provided Toronto Hydro with additional flexibility in terms of customer communications via on-bill messaging and inserts. Specifically, Toronto Hydro is now afforded six additional opportunities to make changes to existing messaging or introduce new messaging. However, while the introduction of monthly billing has allowed customers to be exposed to on-bill messages more frequently, this change has not resulted in any quantifiable financial benefit for Toronto Hydro.

Overall, Toronto Hydro has included $6.0 million in benefits to this account, comprised of working capital cost savings for 2016 through 2019.

4.8.6 Account Balance Calculations

The requested clearance is based on the revenue requirement associated with the costs in the Monthly Billing Deferral account. The proposed clearance amount is $11.5 million (to be collected from customers). The following table summarizes the calculation.

2016 – 2017 Variance Explanation

From 2016 to 2017, the costs in this segment decreased by $1.1 million as a result of the following:

- $0.1 million decrease in internal labour costs due to forecasted vacancies;
- $0.25 million decrease due to restricted collection activities as a result of the OEB's winter disconnection moratorium;
- $0.1 million decrease due to sufficiency of inventory of materials required for collection activities; and
- $0.5 million decrease in the accounting provision for bad debt to reflect a stronger than forecasted resolution of accounts in arrears and lower overall balances owing due to the Fair Hydro Plan.

2017 – 2018 Variance Explanation

From 2017 to 2018, the costs in this segment are forecast to increase by $2.9 million, primarily as a result of the OEB's winter disconnection moratorium:

- $1.0 million increase due to a forecasted increase in collection related field and clerical activities and cost; and
- $1.8 million increase in the accounting provision for electricity accounts bad debt.

2018 – 2019 Variance Explanation

From 2018 to 2019, the costs in this segment are forecast to increase by $0.3 million as a result of the following cost factors:

- $ 0.1 million increase in annual compensation for existing employees; and
- $ 0.1 million increase resulting from a forecasted accounting provision adjustment for bad debt for electricity accounts.