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July 3, 2019

Via RESS

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

Dear Ms. Walli:

Re: EB File No. EB-2018-0165, Toronto Hydro-Electric System Limited ("Toronto Hydro") Custom Incentive Rate-setting ("Custom IR") Application for 2020-2024 Electricity Distribution Rates and Charges – Responses to Undertaking J1.6 and Day 2 Undertakings

Please find enclosed Toronto Hydro's response to undertaking J1.6 provided on Day 1 of the Oral Hearing, as well as the responses to all the undertakings provided on Day 2.

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
Andrew Sasso, Toronto Hydro
Charles Keizer, Torys LLP

ORAL HEARING UNDERTAKING RESPONSES TO OEB STAFF

UNDERTAKING NO. J1.6:

Reference(s): U-Staff-166.5
Exhibit K1.3, page 45

To comment on the staff chart at page 45 of the Staff compendium and to show updated numbers, if possible.

RESPONSE:

Table 1 below updates both the gross expenditures and capital contributions to reflect 2018 actuals.

Table 1: Forecast Customer Connection Segment Costs ($ Millions)

	2020	2021	2022	2023	2024	Total
Gross Expenditures	77.1	78.7	80.2	81.9	83.5	**401.4**
Capital Contributions	(37.0)	(37.8)	(38.5)	(39.3)	(40.1)	**(192.7)**
Net	**40.1**	**40.9**	**41.7**	**42.6**	**43.4**	**208.7**

ORAL HEARING UNDERTAKING RESPONSES TO OEB STAFF

UNDERTAKING NO. J2.1:

Reference(s): Exhibit K1.3, page 126

To explain the difference between the debt rates of 3.64 percent and 4.2 percent.

RESPONSE:

The 4.2 percent debt rate that Toronto Hydro applied to calculate AFUDC over the 2020-2024 period represents long-term debt, whereas the 3.64 percent rate in Exhibit K1.3 at page 126 represents represented the weighted average of both long and short term debt. Toronto Hydro notes that if the lower rate is applied, AFUDC expense per year would be approximately $1 million lower, resulting in an annual revenue requirement reduction of approximately $0.1 million. Although the annual revenue requirement difference is immaterial, Toronto Hydro agrees that the lower rate should be applied to calculate the forecasted AFUDC for 2020 to 2024.

ORAL HEARING UNDERTAKING RESPONSES TO GREATER TORONTO APARTMENT ASSOCIATION

UNDERTAKING NO. J2.2:

Reference(s): Exhibit K2.1, page 24

To provide what is currently on Toronto Hydro's website under vault access legislation and codes.

RESPONSE:

Vault Access Link to Form with Info on Responsibilities:
https://www.torontohydro.com/for-home/vault-access

Customer Action Form Link for Vault Owners:
https://www.torontohydro.com/contractors-and-developers/customer-action-form

ORAL HEARING UNDERTAKING RESPONSES TO GREATER TORONTO APARTMENT ASSOCIATION

UNDERTAKING NO. J2.3:

Reference(s):

To provide the inspections in 2016, 2017, and 2018 with the number of inspections, and the actual costs of those inspections broken out from the customer equipment line.

RESPONSE:

Table 1 below shows the total number of free Person-in-Attendance (PIA) vault access appointments scheduled for 2017 and 2018, and the total expenditures associated with the provision of this service free of charge to customers.

Table 1: Number of Appointments and Costs

	2017	2018
Free PIA Appointments[1]	2,088	1,966
Expenditures ($M)	1.9	2.1

[1] As indicated in the response to undertaking JTC1.21, some appointments are followed up with additional visits for which the customer pays the cost of the PIA. This is the difference between the 2,264 customers who requested vault access in 2018, shown in JTC1.21, and the number of appointments provided in 2018 free of charge to customers shown in Table 1 above.

Toronto Hydro is unable to provide the requested information for 2016 because its records for that year do not distinguish between the initial visits provided free of charge, and the subsequent visits for which customers paid. The total number of appointments in 2016 was 1,697 (including initial and subsequent visits) and the total cost of providing the free service was $0.6 million.

ORAL HEARING UNDERTAKING RESPONSES TO GREATER TORONTO APARTMENT ASSOCIATION

UNDERTAKING NO. J2.4:

Reference(s):

To clarify whether there has been any impact on the insurance costs that may be reflected in the 2020 test year arising from the matter raised by Mr. Quinn.

RESPONSE:

The matter raised by Mr. Quinn did not have a direct impact on the insurance costs reflected in the 2020 test year.

ORAL HEARING UNDERTAKING RESPONSES TO BUILDING OWNERS AND MANAGERS ASSOCIATION

UNDERTAKING NO. J2.5:

Reference(s):

To advise what the 19 percent would be in light of the new information.

RESPONSE:

Table 1 shows the capital expenditures ("CapEx") variance between the current 2015-2019 rate period and the proposed 2020-2024 rate period, including 2018 actuals. For better comparability, column F shows the variance after the capital expenditures were adjusted for inflation.[1]

Table 1: Capital Expenditures Variance

	A	B	C =(B-A)/A	D	E	F =(E-D)/D
Category	2015-2019 CapEx	2020-2024 CapEx	Variance %	2015-2019 CapEx Inflation Adjusted[1]	2020-2024 CapEx Inflation Adjusted[1]	Variance %
System Access	402.9	502.4	25%	414.3	483.9	17%
System Renewal	1,310.2	1,620.9	24%	1,356.2	1,562.9	15%
System Service	236.2	238.1	1%	244.3	229.9	(6%)
General Plant	392.7	425.2	8%	407.8	410.2	1%
Other	37.4	44.1	18%	38.9	42.5	9%
Subtotal	**2,379.4**	**2,830.6**	**19%**	**2,461.5**	**2,729.3**	**11%**
Less: Renewable Generation Facility Assets and Other Non-Rate Regulated Utility Assets	(23.5)	(17.4)	(26%)	(23.8)	(16.8)	(29%)
Total	**2,355.9**	**2,813.2**	**19%**	**2,437.7**	**2,712.5**	**11%**

[1] The baseline year for the inflation adjustment is 2019. The annual inflation rates applied are the OEB inflation rates identified in the response to U-SEC-104, Appendix A "2010-2024 Inflation Adjusted Capital Expenditures".