

**Toronto Hydro-Electric System Limited
Application for electricity distribution rates beginning
January 1, 2020 until December 31, 2024**

VECC

COMPENDIUM

PANEL 2

July 5, 2018

TAB 1

2. SPECIFIC SERVICE CHARGES – RATE UPDATES

2.1 Specific Charge for Access to Power Poles (Wireline Attachments) (\$/Pole/Year)

Toronto Hydro currently charges telecommunication companies for any wireline attachments placed on its poles at a rate of \$42² per pole per year, a rate that was set specific to Toronto Hydro as part its 2015 CIR application. In its EB-2015-0304 report on Wireline Pole Attachment Charges (“Wireline Report”) issued March 22, 2018, the OEB outlined an updated policy for the wireline pole attachment rates to be charged by all Local Distribution Companies (“LDCs”) for attachments by telecommunication and cable companies (carriers) to distribution poles, setting a standard province-wide rate of \$43.63 per attacher per pole per year for 2019.

In accordance with the Wireline Report, Toronto Hydro proposes to update its wireline pole attachment charge to \$44.15 per pole per year effective January 1, 2020. This rate is calculated based on the standard rate of \$43.63 for 2019 and the application of 1.2 percent escalation (the OEB’s current inflation rate) for 2020. Toronto Hydro proposes that this rate be updated once the final OEB inflation factor for 2020 is determined. In adopting the standard province-wide rate, Toronto Hydro has not filed the OEB’s Pole Attachment Workform.

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3. OTHER RATES AND CHARGES

In accordance with section 2.8.6 of the OEB Filing Requirements (July 12, 2018), Toronto Hydro has identified certain charges that appear in its Conditions of Service but are excluded from the current OEB-approved tariff sheet. These include the following Basic

² Per July 23, 2015 OEB Decision on Toronto Hydro’s Settlement Proposal (EB-2014-0116).

TAB 2

RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

INTERROGATORY 34:

Reference(s): Exhibit 3, Tab 2, Schedule 2, p. 1

Please file the Board-approved numbers for Other Operating Revenue. Please describe the process used to forecast pole attachment revenue. Please include all assumptions

RESPONSE:

The revenue offsets-related revenue requirement approved by the OEB in 2015 was \$41.3 million, consistent with Toronto Hydro's application. In its application, Other Operating Revenue for 2015 was \$11.5 million.¹

Forecasted pole attachment revenues (including revenues from wireline and non-wireline attachments) for 2018-2020 were determined by multiplying the forecasted annual billable pole attachment units and the applicable rates for access to power poles. For wireline attachment rates, please refer to Exhibit 8, Tab 2, Schedule 1, page 3 for additional information about the specific charge. For non-wireline attachment rates, the contracted rates in force at the time of forecasting (2017) were used for the forecast period.

Annual forecast units consisted of the historical actual volumes based on the latest available data (2017) at the time of forecasting, and projected number of new applications for the forecast periods (2018-2020). Based on Toronto Hydro's experience,

¹ EB-2014-0116 Decision, December 29, 2015, page 38.

1 established pole attachment contracts are regularly renewed thus it is reasonable to
2 assume that this trend would continue over the forecast period. Toronto Hydro has
3 projected an annual growth of 2% based on its recent experience.

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5 Toronto Hydro assumed that the average billable pole per new application would remain
6 consistent with historical data.

TAB 3

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RESPONSES TO OEB STAFF INTERROGATORIES

INTERROGATORY 166.9:

Reference(s): Multiple Interrogatory and Undertaking Responses

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

ix) 3-Staff-107 / part (b)

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

RESPONSE:

Please see the upated table below.

Table 1: Pole Attachment Revenues (\$ Millions)

	Actual				Bridge Year	Test Year
	2015	2016	2017	2018	2019	2020
<i>Pole Attachment Revenue</i>	3.2	4.1	5.6	5.9	5.0	5.5

TAB 4

Appendix 2-H

Other Operating Revenue

USoA #	USoA Description	2015 Actual	2016 Actual	2017 Actual	2018 Actual	Bridge Year	Test Year
		2015	2016	2017	2018	2019	2020
	<i>Reporting Basis</i>	<i>MIFRS</i>	<i>MIFRS</i>	<i>MIFRS</i>	<i>MIFRS</i>	<i>MIFRS</i>	<i>MIFRS</i>
4235	Specific Service Charges	\$6,786,826	\$9,497,848	\$7,186,822	\$5,966,102	\$5,107,243	\$3,689,939
4225	Late Payment Charges	\$4,126,310	\$4,540,398	\$3,696,196	\$3,323,433	\$3,732,947	\$3,751,641
4082	Retailers' Fixed charge	\$5,320	\$5,280	\$5,520	\$5,280	\$5,420	\$5,420
4082	Retailers' Variable Charge	\$257,269	\$225,343	\$178,662	\$146,005	\$171,386	\$162,420
4082	Distributor Consolidated Billing (DCB) Charges	\$143,718	\$125,603	\$106,118	\$87,079	\$99,207	\$94,067
4082	Retail Consolidated Billing (RCB) Credit	-\$9,072	-\$8,351	-\$635	\$0	\$0	\$0
4084	Retailer Service Transaction Request	\$13,764	\$12,656	\$10,350	\$8,302	\$9,282	\$8,816
4084	Retailer Service Transaction Processing	\$6,344	\$5,722	\$4,485	\$3,190	\$4,271	\$4,081
4090/4086	SSS Admin Charge	\$2,196,126	\$2,317,539	\$2,269,960	\$2,313,558	\$2,389,560	\$2,407,409
4210	Parking Rental	\$3,790	\$1,200	\$1,200	\$4,408	\$0	\$0
4210	Property Rental	\$41,516	\$46,854	\$53,414	\$47,228	\$0	\$0
4215	TTC Rectification	\$253,250	\$303,900	\$303,900	\$303,900	\$303,900	\$303,900
4215	Settlement Discounts Taken	\$404,384	\$381,359	\$523,847	\$340,755	\$389,382	\$389,382
4215	Stale Dated Cheques	\$453,706	\$417,078	\$736,416	\$462,171	\$533,368	\$533,368
4220	Street Lighting	\$7,055,723	\$8,200,259	\$9,229,601	\$8,035,739	\$8,536,375	\$8,076,074
4325	Merchandise and Jobbing Revenue	\$23,108,588	\$32,769,384	\$45,929,144	\$47,400,242	\$36,014,502	\$37,732,615
4330	Merchandise and Jobbing Costs	-\$14,047,565	-\$19,805,704	-\$29,913,621	-\$27,406,949	-\$15,651,688	-\$15,991,089
4335	Gain/Loss on disposals	\$211,338	\$0	\$0	\$0	\$0	\$0
4375	Shared Services Recovery ¹	\$2,927,027	\$3,212,613	\$4,829,010	\$5,670,327	\$5,494,615	\$5,507,706
4355	Gain on Disposition of Utility and Other Property	\$4,062,681	\$2,132,160	\$515,158	\$576,205	\$1,630,000	\$0
4398	Foreign Exchange Gain/(Loss)	-\$1,500,430	\$162,383	\$54,784	-\$128,336	\$0	\$0
4405	Investment Interest Income	\$1,298,537	\$186,388	\$9	\$0	\$120,000	\$120,000
	Specific Service Charges	\$6,786,826	\$9,497,848	\$7,186,822	\$5,966,102	\$5,107,243	\$3,689,939
	Late Payment Charges	\$4,126,310	\$4,540,398	\$3,696,196	\$3,323,433	\$3,732,947	\$3,751,641
	Other Operating Revenues	\$10,825,837	\$12,034,443	\$13,422,839	\$11,757,613	\$12,442,150	\$11,984,936
	Other Income or Deductions	\$16,060,177	\$18,657,224	\$21,414,483	\$26,111,488	\$27,607,430	\$27,369,233
	Total	\$37,799,149	\$44,729,912	\$45,720,340	\$47,158,636	\$48,889,769	\$46,795,749

Description

Specific Service Charges:

Late Payment Charges:

Other Distribution Revenues:

Other Income and Expenses:

Account(s)

4235

4225

4080, 4082, 4084, 4090, 4205, 4210, 4215, 4220, 4240, 4245

4305, 4310, 4315, 4320, 4325, 4330, 4335, 4340, 4345, 4350, 4355, 4360, 4365, 4370, 4375,

4380, 4385, 4390, 4395, 4398, 4405, 4415

Appendix 2-H Other Operating Revenue

Account Breakdown Details

Account 4235 -Specific Service Charges

	2015 Actual	2016 Actual	2017 Actual	2018 Actual	Bridge Year	Test Year
	2015	2016	2017	2018	2019	2020
Reporting Basis	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
Account Set Up Charge	\$3,163,196	\$3,315,852	\$3,132,490	\$2,686,465	\$3,010,922	\$3,027,508
NSF Collection Charges	\$59,445	\$111,704	\$106,825	\$116,209	\$107,980	\$108,541
Collection Service Charges	\$2,986,342	\$5,165,058	\$3,130,010	\$2,495,315	\$1,437,643	\$0
Connection-Reconnection Charge	\$554,565	\$873,835	\$644,708	\$516,900	\$550,698	\$553,890
Easement Letter	\$24,978	\$29,773	\$39,955	\$37,168	\$0	\$0
Misc Revenue	-\$1,700	\$1,625	\$132,834	\$114,046	\$0	\$0
Total	\$6,786,826	\$9,497,848	\$7,186,822	\$5,966,102	\$5,107,243	\$3,689,939

Account 4325 -Merchandise and Jobbing Revenue

	2015 Actual	2016 Actual	2017 Actual	2018 Actual	Bridge Year	Test Year
	2015	2016	2017	2018	2019	2020
Reporting Basis	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
Inventory Sales	\$88,900	\$1,722,500	\$5,447,129	\$2,899,790	\$2,200,000	\$2,200,000
Isolation	\$779,822	\$1,110,436	\$3,245,726	\$3,559,037	\$3,205,922	\$3,184,384
Customer and Temp Services	\$4,433,778	\$5,325,404	\$4,771,188	\$6,251,865	\$4,465,678	\$4,681,016
MicroFIT	\$93,500	\$71,060	\$157,066	\$69,000	\$50,000	\$62,500
Scrap Sales	\$2,351,600	\$3,264,400	\$3,198,906	\$2,955,541	\$2,988,600	\$3,048,400
Accident Claims	\$2,422,022	\$1,683,500	\$3,281,539	\$3,648,653	\$2,502,500	\$2,562,600
Pole & Duct Rental	\$11,145,300	\$18,051,800	\$23,106,399	\$26,147,228	\$19,236,165	\$20,624,017
Streetlighting ¹	\$520,678	\$459,415	\$332,279	\$377,304	\$669,103	\$669,103
Other ²	\$1,272,988	\$1,080,869	\$2,388,913	\$1,491,825	\$696,534	\$700,595
Total	\$23,108,588	\$32,769,384	\$45,929,144	\$47,400,242	\$36,014,502	\$37,732,615

Account 4330 -Merchandise and Jobbing Costs

	2015 Actual	2016 Actual	2017 Actual	2018 Actual	Bridge Year	Test Year
	2015	2016	2017	2018	2019	2020
Reporting Basis	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
Inventory Sales	-\$110,700	-\$1,661,500	-\$5,240,465	-\$2,954,604	-\$2,000,000	-\$2,000,000
Isolation	-\$663,612	-\$915,208	-\$3,681,121	-\$4,968,289	-\$3,672,322	-\$3,654,584
Customer and Temp Services	-\$3,638,181	-\$4,372,001	-\$3,751,142	-\$4,683,780	-\$4,051,478	-\$4,260,816
MicroFIT	-\$47,007	-\$78,191	-\$25,354	-\$3,061	-\$50,000	-\$62,500
Scrap Sales	-\$1,131,000	-\$863,200	-\$1,048,740	-\$1,557,885	-\$1,300,500	-\$1,326,500
Accident Claims	-\$2,267,530	-\$2,321,000	-\$3,026,630	-\$761,183	-\$265,600	-\$320,800
Pole & Duct Rental	-\$4,771,400	-\$8,416,600	-\$10,670,064	-\$11,047,712	-\$3,502,950	-\$3,553,027
Streetlighting ¹	-\$476,270	-\$380,939	-\$302,663	-\$336,850	-\$569,180	-\$569,180
Other ²	-\$941,865	-\$797,065	-\$2,167,442	-\$1,093,585	-\$239,658	-\$243,681
Total	-\$14,047,565	-\$19,805,704	-\$29,913,621	-\$27,406,949	-\$15,651,688	-\$15,991,088

Account 4405 - Investment Interest Income

	2015 Actual	2016 Actual	2017 Actual	2018 Actual	Bridge Year	Test Year
	2015	2016	2017	2018	2019	2020
Reporting Basis	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
Investment Interest Income	\$1,298,537	\$0	\$9	\$0	\$120,000	\$120,000
Regulated Assets Charges-Revenue	\$0	\$186,388	\$0	\$0	\$0	\$0
Total	\$1,298,537	\$186,388	\$9	\$0	\$120,000	\$120,000

Notes

- 1 The amounts reported as shared services recovery in account 4375 do not include the cost recovery associated with fleet, occupancy and IT services provided by THESL to THESI, THESU and THC presented as part of Appendix 2N. The recovery of these costs is included in the OM&A evidence as part of the Allocation and Recoveries program for an average annual value of \$1.1M for the period 2015-2020.
Streetlighting recoveries and costs related to emergency response, engineering and planning included in Appendix 2N are shown under the merchandising and jobbing section (4325 & 4330).
- 2 The "Other" category is composed of IT services related to Hydro One Telecom and other various adhoc services.

TAB 5

RESPONSES TO VULNERABLE ENERGY CONSUMERS COALITION
INTERROGATORIES

INTERROGATORY 82:

Reference(s): Exhibit U, Tab 3, Schedule 2, p. 1 and Appendix A

It is noted that the 2018 revenue from pole and duct rental in the Update has increased by almost \$8.7 M and costs have increased by roughly \$6.7 M. Please provide the reasons for the change in both revenue and costs.

RESPONSE:

The increase for pole and duct rental revenue and costs resulted from an increased demand for pole attachment accommodations in 2018. Toronto Hydro incurs make-ready costs to accommodate attachments on its poles. These non-recurring costs depend on the particular circumstances relating to the attachment (i.e. the type of attachment and field conditions), and Toronto Hydro recovers these costs from the third party requesting the pole attachment through one-time or non-recurring charges. The plan for 2019 and 2020 assumes that the demand will stabilize to historical levels.

TAB 6

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RESPONSES TO OEB STAFF INTERROGATORIES

INTERROGATORY 107:

Reference(s): Exhibit 3, Tab 2, Schedule 1, p. 5
Exhibit 3, Tab 2, Schedule 2
Chapter 2 Appendices, Appendix 2-H

a) Please provide a breakdown of the \$6.7 million total net gain on sales that occurred during the 2015-2017 period and explain why Toronto Hydro does not expect there to be any net gains of this nature during the 2020-2024 period (Exhibit 3 / Tab 2 / Schedule 1 / p. 5).

b) Please provide the pole attachment revenues that Toronto Hydro has included in its revenue offset forecast for 2020 and compare to the 2015-2019 period. Please advise where that revenue is included in Appendix 2-H (Exhibit 3 / Tab 2 / Schedule 2).

RESPONSE:

a) Please refer to Table 1 below for the breakdown of \$6.7 million total net gain. The properties listed are decommissioned municipal stations. At the time of preparing the application, Toronto Hydro did not have any plans to dispose of any more decommissioned municipal stations over the 2020 to 2024 period. As a result, there were no forecasts of this nature during the period.

Table 1: Net Gain on sale of Assets from 2015-2017

	Net Gain on Sales (\$ Millions)
Sale of Property	
1304 Wilson Avenue	0.3
1629 Sheppard Avenue West	0.2
386 Eglinton Avenue East	1.4
18 Portland Street	1.2
87 North Bonnington Avenue	0.7
750 Huntingwood Drive	0.3
169 Goulding Avenue	1.5
29 Heathrow Drive	0.1
Sale of Fleet	0.9
Total Gain on Sales 2015-2017*	6.7

*Variances may exist due to rounding

b) The pole attachment revenues included in the revenue offset forecast for the year 2020 is \$5,482,498. Please refer to Table 2 for a comparison of pole attachment revenues for the 2015 to 2020 period.

Pole attachment revenue is included in Exhibit 3, Tab 2, Schedule 2 (OEB Appendix 2-H) under "Account 4325 - Merchandise and Jobbing Revenue" in the "Pole and Duct Rental" category.

Table 2: Pole Attachment Revenues (\$ Millions)

	Actual	Actual	Actual	Bridge Year	Bridge Year	Test Year
	2015	2016	2017	2018	2019	2020
Pole Attachment Revenue	3.2	4.1	5.6	4.5	5.0	5.5

TAB 7

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RESPONSES TO OEB STAFF INTERROGATORIES

INTERROGATORY 179:

Reference(s): 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.

- 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.

RESPONSE:
Confirmed.

TAB 8