

Daliana Coban
Manager, Regulatory Law
Toronto Hydro-Electric System Limited
14 Carlton Street
Toronto, ON M5B 1K5

Telephone: 416.542.2627
Facsimile: 416.542.3024
regulatoryaffairs@torontohydro.com
www.torontohydro.com



July 12, 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 – Undertaking Responses for Day 8 of the Oral Hearing and Request for
Corrections to the Oral Hearing Transcript for Day 8**

Please find enclosed Toronto Hydro's responses to undertakings provided on Day 8 (July 11, 2019) of the Oral Hearing, except undertakings J8.2, J8.6, and J8.8.

Toronto Hydro has reviewed the transcript from Day 8 and requests that the transcript be corrected for the following errors:

- Page 80, line 2 states: "capital count" should state "customer count;"
- Page 80, line 9 states: "efficiency in productivity" should state "efficiency and productivity;"
- Page 89, line 17 states: "group 2 DVs" should state "group 2 DVAs;"
- Page 118, line 11 states: "They're going to be off by magnitudes" should state "They're not going to be off by magnitudes;"
- Page 189, line 25 states: "passed 55" should state "PAS 55;"
- Page 189, line 26 states: "British standard, institute" should state "British Standards Institution;"
- Page 190, line 2 states: "International Standards Organization" should state "International Organization for Standardization;" and
- Page 194, line 16 states: "intelligent tools" should state "intelligence tools."

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

Respectfully,

A handwritten signature in black ink, appearing to read "Daliana", written over a horizontal line.

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

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**ORAL HEARING UNDERTAKING RESPONSES TO
 SCHOOL ENERGY COALITION**

UNDERTAKING NO. J8.1:

Reference(s):

To provide the calculation for the G factor.

RESPONSE:

The table below demonstrates the calculation of the G-Factor, which is shown in Table 4 of Exhibit 1B, Tab 4, Schedule 1, page 11 in a summarized form.

Table 1: Forecast Revenue at 2020 Proposed Rates (\$ Millions)

Rate Year	Revenue at 2020 Rates (\$)	Annual Growth Rate
2020	796,881,545	
2021	797,842,292	0.1%
2022	799,833,529	0.2%
2023	801,575,863	0.2%
2024	804,823,006	0.4%
G-Factor Formula $=((804,823,006/796,881,545)^{(1/4)})-1 = 0.2\%$		0.2%

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**ORAL HEARING UNDERTAKING RESPONSES TO
ENERGY PROBE RESEARCH FOUNDATION**

UNDERTAKING NO. J8.3:

Reference(s): Exhibit K7.1, page 39

To provide a summary of any data equivalent to the parameters left incomplete on the scorecard (page 39 of Exhibit K7.1, VECC Compendium for Panel 3).

RESPONSE:

The results for the items on the OEB’s Electricity Distributor Scorecard, as highlighted in the referenced compendium, are typically issued by the OEB to all regulated utilities in Ontario by mid-August following the reporting year end.¹

The three Cost Control items are derived annually from OEB’s benchmarking activity conducted by PEG and the related results and report² are issued after the completion of PEG’s update to its econometric modelling. For this reason, Toronto Hydro does not have the 2018 results for these items. Please see the following for related information:

- For the efficiency assessment result, please see Exhibit 1B, Tab 4, Schedule 3; and
- For the remaining two results, please see Toronto Hydro’s response to 1B-CCC-21.

¹ Please refer to the OEB’s Activities Schedule for the Publication of the 2018 Scorecard of Electricity Distributors. ([link](#))
² Empirical Research in Support of Incentive Rate-Setting Benchmarking Update.

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ORAL HEARING UNDERTAKING RESPONSES TO
ENERGY PROBE RESEARCH FOUNDATION

UNDERTAKING NO. J8.4:

Reference(s):

To show the amount of over-collection, assuming the ratio of 103.2 versus 100 percent for the residential.

RESPONSE:

If the residential class revenue for 2020 is set at 100 percent revenue to cost ratio, the revenue for this class would be \$10.4 million less than what Toronto Hydro has proposed. However, Toronto Hydro notes that a reduction to the residential revenue cost ratio would increase the revenue to cost ratios, and therefore the revenue, for the other classes.

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ORAL HEARING UNDERTAKING RESPONSES TO

N.D. HANN

UNDERTAKING NO. J8.5:

Reference(s):

To split out the components of revenue requirement from 2020 to 2024.

RESPONSE:

The table below shows the capital-related and other components of Revenue Requirement from 2020-2024, as presented in undertaking J1.7. Toronto Hydro notes that distribution rates for 2021 to 2024 are determined based on the proposed Custom Price Cap Index (CPCI), which includes components (i.e. productivity, stretch, growth) which are not reflected in the table below.

Table 1: 2020-2024 Base Revenue Requirement

Revenue Requirement (RR)	2020	2021	2022	2023	2024	Total
Return On Equity	\$ 162.0	\$ 170.4	\$ 179.1	\$ 189.3	\$ 198.9	\$ 899.7
Deemed Interest Expense	\$ 100.2	\$ 105.4	\$ 110.8	\$ 117.1	\$ 123.0	\$ 556.4
Depreciation Expense	\$ 265.5	\$ 281.5	\$ 292.3	\$ 314.0	\$ 327.1	\$ 1,480.5
PILS	\$ 12.7	\$ 22.0	\$ 13.4	\$ 27.8	\$ 40.4	\$ 116.3
Capital Related RR	\$ 540.5	\$ 579.3	\$ 595.6	\$ 648.1	\$ 689.4	\$ 3,052.8
OM&A	\$ 278.0	\$ 280.5	\$ 283.0	\$ 285.6	\$ 288.1	\$ 1,415.2
Revenue Offsets	\$ (47.1)	\$ (47.5)	\$ (47.9)	\$ (48.4)	\$ (48.8)	\$ (239.6)
Non-Capital RR	\$ 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

1 ORAL HEARING UNDERTAKING RESPONSES TO
2 OEB PANEL

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4 UNDERTAKING NO. J8.7:

5 Reference(s): Exhibit U, Tab 3, Schedule 1, Appendix A

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7 To provide a forecast of volumetric versus customer using the customer data subset
8 shown at Exhibit U, Tab 3, Schedule 1, Appendix A.

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11 RESPONSE:

12 Table 1 below shows the variances between the Board-approved forecast versus the
13 actual customers and energy.

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15 Table 1: Forecast versus Actual Customers and Energy

Year	Board-Approved Customer Forecast	Actual Customers	Customer Variance	Board-Approved Load Forecast (GWh)	Weather Normalized Actual (GWh)	Energy Variance
2015	749,679	747,811	-0.25%	24,993.28	25,031.07	0.15%
2016	763,091	759,031	-0.53%	25,027.38	24,909.27	-0.47%
2017	773,850	765,559	-1.07%	24,841.64	24,427.62	-1.67%
2018	785,107	769,690	-1.96%	24,696.94	24,620.32	-0.31%

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ORAL HEARING UNDERTAKING RESPONSES TO
OEB PANEL

UNDERTAKING NO. J8.9:

Reference(s): Exhibit U, Tab 3, Schedule 2, Appendix A

With reference to Exhibit U-3-2, Appendix A, Account 4375 Shared Services Recovery, to confirm whether the figure is a gross revenue number or net, and if gross, to provide the line item reference for the related shared services recovery amounts, if available.

RESPONSE:

Toronto Hydro confirms that the shared services revenues in account 4375 are gross amounts. These revenues represent a full recovery of costs incurred across multiple OM&A programs. Table 1 below provides the annual costs related to these services:

Table 1: Shared Services costs for account 4375 (\$ Millions)

2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Bridge	2020 Test
2.9	3.2	4.8	5.7	5.5	5.5

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ORAL HEARING UNDERTAKING RESPONSES TO

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UNDERTAKING NO. J8.12:

**Reference(s): Exhibit 1B, Tab 2, Schedule 1, Appendix B, UMS Report
 Figures B-1 and B-2**

To check the density measurements in Figure 1B, showing U.S vegetation density.

RESPONSE (PREPARED BY UMS):

In reviewing Figures B-1 and B-2 of the report, the “m” stands for “meters based on area weighted height.” If one were to apply this nomenclature and scale to Toronto Hydro, they would be placed in the tan region (200-500m).