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July 15, 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 Undertakings Day 8 and Undertakings, Request for Corrections to Day 9 Transcript, Request for Redactions to Day 3 Transcript

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Please find enclosed Toronto Hydro's responses to all remaining undertakings from Day 8 (July 11, 2019) of the Oral Hearing, namely J8.2, J8.6, J8.8, and J8.10, and all undertakings provided on Day 9 (July 12, 2019).

Toronto Hydro has reviewed the transcript from Day 9 and requests that the transcript be corrected for the following errors:

- Page 15, line 6 states: "confidence" should state "competence;"
- Page 16, lines 25 states: "they'd" should be "they're;"
- Page 19, line 10 states: "title" should state "titled;"
- Page 20, line 19 states: "works" should state "words;" and
- Page 34, line 12 states: "mace" should state "place."

In addition, Toronto Hydro has reviewed the confidential transcript from Day 3 and proposes to redact the following passages for confidentiality, in accordance with section 6.2.4 of the OEB's *Practice Direction on Confidential Filings*:

- Page 101, lines 5-8 after "determine;"
- Page 103, lines 19-22 before "Am I…;"
- Page 104, lines 11-18;

- Page 108, lines 8-9 after “costs” and before “those;”
- Page 108, lines 12-22;
- Page 109, lines 2-6 after “is” and before “That;” and
- Page 109, lines 9-18.

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 DISTRIBUTED RESOURCE COALITION

UNDERTAKING NO. J8.2:

Reference(s):

To provide the number of the list of small and residential customers provided by Toronto Hydro to Mr. Lyle for the randomization sample.

RESPONSE (PREPARED BY INNOVATIVE RESEARCH GROUP):

Toronto Hydro provided Innovative Research Group with randomly selected sample lists, including 90,000 residential customers and 30,000 small business (GS < 50kW) customers. Innovative used these customer sample lists for customer engagement activities, including randomized telephone surveys. This was in addition to a sample list of 6,000 mid-market (GS > 50kW) customers provided by Toronto Hydro.

ORAL HEARING UNDERTAKING RESPONSES TO OEB PANEL

UNDERTAKING NO. J8.6:

Reference(s): Exhibit K7.1, GDP and Customer Count Forecasts

To provide specific information on the monthly data and the trend and how it resulted in the forecast of customers that was provided.

RESPONSE:

Toronto Hydro understands that the intent of this undertaking was to assist the Board in understanding how the updated historical data for the GS<50kW and GS 50-999kW classes resulted in the updated forecast of customers for those classes.

Figures 1 and 2 below show the historical monthly data and the estimated trend equations for both the original forecast and for the updated forecast. In the case of the GS <50kW class, the additional year of actual data resulted in an increase in the trend line forecast despite the slight decrease of the updated actual number of customers relative to forecast. In the case of the GS 50-999kW class, the additional year of data resulted in a decrease in the trend line forecast, despite the slight increase of the updated actual number of customers relative to forecast.

The updated trendlines are applied to the last actual data to determine the forecast of customers for each class.

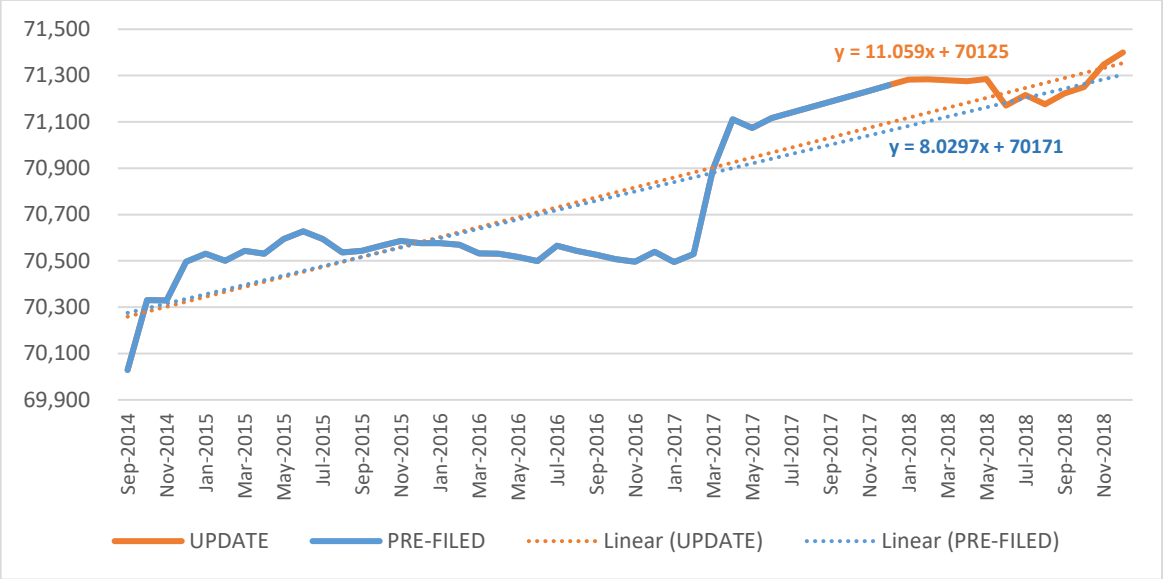


Figure 1: GS < 50kW Customers

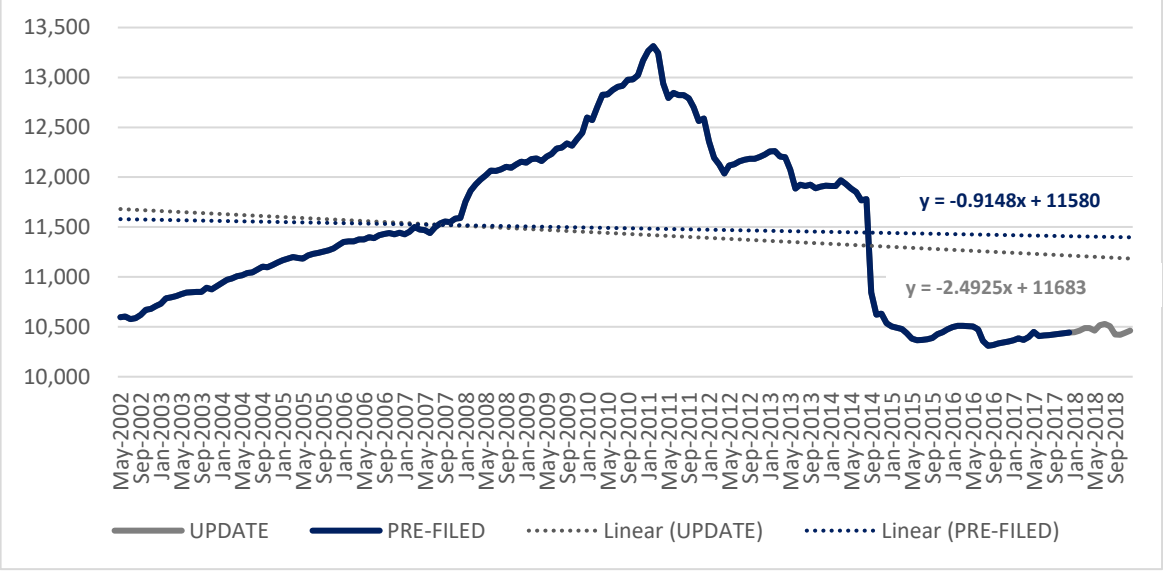


Figure 2: GS 50-999 kW Customers

ORAL HEARING UNDERTAKING RESPONSES TO OEB PANEL

UNDERTAKING NO. J8.8:

Reference(s):

To provide a scenario showing 2019 balances deferred for recovery and used in smoothing bill impacts for future years, to be recovered when audited balances were available.

RESPONSE:

The table below demonstrates estimated total bill impacts based on the scenario where projected 2019-only Group 2 DVA balances are recovered starting in 2021 through to the 2024 period (4-year clearance). Please refer to Exhibit U, Tab 1A, Schedule 2, Table 3 for the original table.

Table 1: Bill Impacts – Change In Monthly Bill

	Change in bill	Proposed				
		2020	2021	2022	2023	2024
Residential	***$/30 days***	-2.97	0.30	1.12	1.40	1.92
	%	*-2.3*	*0.2*	*0.9*	*1.1*	*1.5*
Competitive Sector Multi-Unit Residential	***$/30 days***	-1.34	0.50	0.89	0.99	1.51
	%	*-1.9*	*0.7*	*1.3*	*1.4*	*2.1*
General Service <50 kW	***$/30 days***	-3.78	0.29	2.82	4.40	4.82
	%	*-1.1*	*0.1*	*0.9*	*1.3*	*1.4*
General Service 50-999 kW	***$/30 days***	-414.06	226.43	49.57	87.53	84.57
	%	*-2.9*	*1.6*	*0.4*	*0.6*	*0.6*

	Change in bill	Proposed				
		2020	2021	2022	2023	2024
General Service 1,000-4,999 kW	***$/30 days***	-4,124.35	2,517.39	408.13	720.88	696.44
	%	*- 2.7*	*1.7*	*0.3*	*0.5*	*0.5*
Large Use	***$/30 days***	795.46	-2,591.12	2,102.70	3,713.96	3,588.48
	%	*0.1*	*-0.4*	*0.3*	*0.5*	*0.5*
Street Lighting	***$/30 days***	-5,202.63	4,314.53	3,587.48	6,323.55	6,152.69
	%	*-1.8*	*1.5*	*1.2*	*2.2*	*2.1*
Unmetered Scattered Load	***$/30 days***	-5.61	0.27	0.80	1.42	1.37
	%	*-8.7*	*0.5*	*1.4*	*2.4*	*2.2*

ORAL HEARING UNDERTAKING RESPONSES TO SCHOOL ENERGY COALITION

UNDERTAKING NO. J8.10:

Reference(s): 1B-Staff-9, Appendix L

With reference to 1B-Staff-9, Appendix L, to advise whether unit cost information replacements were based on reactive instead of planned programs.

RESPONSE:

The unit cost information presented in the response to interrogatory 1B-Staff-9, Appendix L does not include asset replacements from the Reactive and Corrective Capital program. Reactive replacements are excluded because there is a high degree of variability in the cost associated with performing this work. For example, the type and severity of the asset failure can have a significant impact on the replacement cost. For more information about how the asset categories and programs were selected please refer to Exhibit 1B, Tab 2, Schedule 1, Appendix B at pages 11 and 12.

RESPONSE (PREPARED BY UMS):

In the exchange with Mr. Rubenstein following the undertaking, it was noted that UMS assumed that other utilities include reactive capital in their unit costs as they did not specify and ask them to split out the costs.[1] Upon further review, it should be noted that it is normal practice in the industry that the costs relating to reactive work are often recorded in non-unitized (i.e. not asset specific) or pre-established storm accounts. Those

[1] EB-2018-0165, THESL Oral Hearing, Day 8, July 11, 2019, at page 132, lines 18-26.

groupings of costs would not have been included in the survey responses because they cannot be attributed to specific asset categories.

ORAL HEARING UNDERTAKING RESPONSES TO ENERGY PROBE RESEARCH FOUNDATION

UNDERTAKING NO. J9.1:

Reference(s): Exhibit K9.3, page 4

Precise reference in PSE working papers for Interrogatory L3-EP-74 (b) and (c).

RESPONSE (PREPARED BY PSE):

The congested urban variable data can be found in the working papers in the Excel spreadsheet entitled, "Modeling Dataset.xls" in worksheet "File from SST" in columns BN and BO. These two columns need to be summed to equal the congested urban variable used.

The underground percentage variable can be found in the same Excel worksheet in column AQ.

The rural variable (which we assume is referring to the customer density variable) is found in the same Excel worksheet in columns AK and R. Column AK divided by column R will equal the total service territory divided by the number of customers.

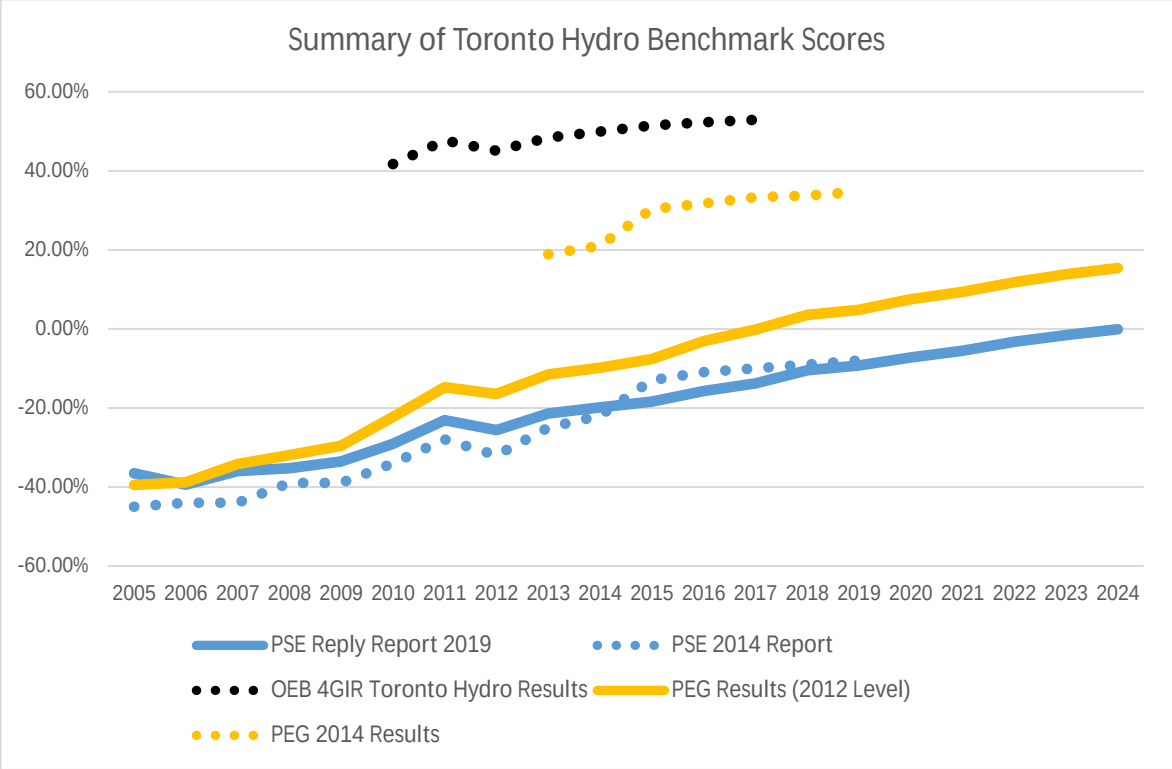
ORAL HEARING UNDERTAKING RESPONSES TO SCHOOL ENERGY COALTION

UNDERTAKING NO. J9.2:

Reference(s): Exhibit K9.5, page 21

Expand chart in L3-EP-73 as much as possible.

RESPONSE (PREPARED BY PSE):



ORAL HEARING UNDERTAKING RESPONSES TO OEB PANEL

UNDERTAKING NO. J9.3:

Reference(s):

Remove congested urban variable from model.

RESPONSE (PREPARED BY PSE):

As Mr. Fenrick stated in the hearing, eliminating the congested urban variable produces a meaningless result that no longer accounts for the congested urban cost challenges of Toronto Hydro.[1] The Toronto Hydro benchmarking scores displayed below are produced from the exact total cost model presented by PSE minus the variables containing the congested urban variable. As such, the model is no longer controlling for the substantial increased costs of serving a congested urban area. Furthermore, by simply deleting these variables from the model no other variables (e.g., the percent artificial surfaces variable used in PSE's Hydro One distribution benchmarking research) were able to be substituted. The results shown below suffer from an obvious omitted variable bias and should be disregarded.

[1] EB-2018-0165, Oral Hearing Transcript Day 9 (July 12, 2019) at page 184, lines 22-25.

Year	Toronto Hydro Benchmarking Score
2005	15.1%
2006	13.5%
2007	16.2%
2008	16.5%
2009	17.8%
2010	22.4%
2011	28.0%
2012	25.2%
2013	28.4%
2014	29.7%
2015	30.7%
2016	34.1%
2017	36.3%
2018	39.6%
2019	40.7%
2020	42.9%
2021	44.5%
2022	46.7%
2023	48.4%
2024	49.8%