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July 31, 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**

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With this letter, Toronto Hydro is updating its Custom IR application costs, which are a subset of Toronto Hydro's total OM&A costs, as requested by the OEB Panel as an addendum to undertaking J1.1. This update reflects Toronto Hydro's and parties' latest actuals and forecasts:

- Toronto Hydro forecasted \$0.7 million for OEB Staff costs. OEB Staff accepted this as a reasonable estimate. This forecast is therefore unchanged.
- Toronto Hydro forecasted \$1.2 million for intervenors' total costs. Intervenors submitted estimates that totalled \$1.1 million. This forecast is therefore reduced by \$0.1 million.
- Toronto Hydro forecasted its own costs that were updated on July 3, 2019 on the basis of 13 days of Oral Hearing. Instead, there were 10.5 days of Oral Hearing. Accordingly, Toronto Hydro's forecast for Legal costs is reduced from \$3.775 million to \$3.745 million. Further, Toronto Hydro's forecast for Consultants' costs is reduced from \$3.742 million to \$3.728 million.

Therefore, the total Custom IR Application Costs set out in 2-M are reduced from \$9,585,950 to \$9,441,950. Amortized over the 5 year period, this equals \$1,888,390 in OM&A per year.

Therefore, the total Legal and Regulatory Program Costs for 2020 are \$16.1 million, which is unchanged from the July 3, 2019 update. That amount is \$0.2 million greater than the forecast in the original filing on August 15, 2018.

The ultimate effect on total OM&A that underpins the 2020 Revenue Requirement is no increase since July 3, 2019, and an increase of \$0.2 million since the April 30, 2019 Application Update. This results in a total 2020 OM&A plan of \$278.2 million.

Enclosed is the revised Appendix 2-M. Toronto Hydro will update the Revenue Requirement calculations during the Draft Rate Order process.

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

Respectfully,



**Andrew J. Sasso**

Director, Energy Policy & Government Relations  
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 LLP

**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 Rebasng Year (2015 Board Approved)	Last Rebasng 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)
<b>Regulatory Costs (Ongoing)</b>									
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 <sup>1</sup>									
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									
<b>Regulatory Costs (One-Time)</b>									
1 Expert Witness costs			note 4	note 4				note 4	
2 Legal costs			\$ 2,738,150	\$ 1,842,785				\$ 3,745,000	/C
3 Consultants' costs			\$ 2,583,178	\$ 2,773,742				\$ 3,728,000	/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. <sup>1</sup>									
6 Intervenor costs			\$ 650,000	\$ 837,076				\$ 1,100,000	/C
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 <sup>2</sup>		\$ -	\$ 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 <sup>3</sup>		\$ -	\$ 5,971,328	\$ 6,067,757	\$ -	\$ -		\$ 9,441,950	
3 Total		\$ -	\$ 9,443,458	\$ 9,506,261	\$ 3,470,958	\$ 4,158,771	19.82%	\$ 13,896,150	234.14%

<b>Application-Related One-Time Costs</b>	<b>Total</b>
Total One-Time Costs Related to Application to be Amortized over IRM Period	\$ 9,441,950
1/5 of Total One-Time Costs	\$ 1,888,390

**Notes:**

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