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Our File No. 184158

August 28, 2019

VIA RESS, EMAIL AND COURIER

Ontario Energy Board
2300 Yonge Street
27th Floor
Toronto, Ontario
M4P 1E4

Attention: Kirsten Walli,
Board Secretary

Dear Ms. Walli:

Re: EB-2018-0165: Toronto Hydro-Electric System Limited, Application for Electricity Distribution Rates beginning January 1, 2020 until December 31, 2024

Please find enclosed herewith BOMA's Submission.

Yours truly,

FOGLER, RUBINOFF LLP

Thomas Brett
TB/dd
Encls.
cc: All Parties *(via email)*

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EB-2018-0165

ONTARIO ENERGY BOARD

Toronto Hydro-Electric System Limited

Application for electricity distribution rates beginning January 1, 2020 until December 31, 2024

Submission of Building Owners and Managers Association, Greater Toronto ("BOMA")

August 28, 2019

Tom Brett
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Counsel for BOMA

Submission of BOMA

Issue 1.0

1.1 Has Toronto Hydro responded appropriately to all relevant OEB directions from previous proceedings?

There were four directions from the Board in EB-2014-0116. They dealt with customer engagement, loss adjustment factors, monitoring and reporting, and disposition of the Retail Settlement Variance Account.

BOMA believes that Toronto Hydro did make some improvements in its customer engagement process, particularly by conducting it in a more timely fashion. However, as is explained elsewhere in this submission, BOMA has major concerns with the integrity and fairness of the Innovative work, and believes that Innovative and Toronto Hydro have spun the results to emphasize responses favourable to Toronto Hydro.

BOMA believes that Toronto Hydro has complied with the remaining three directions.

1.2 Is the proposed effective date of January 1, 2020 appropriate?

Yes, the proposed effective date of January 1, 2020 is appropriate.

1.3 Are the rates and bill impacts resulting from Toronto Hydro's application appropriate?

The base rate impacts from Toronto Hydro's application are not appropriate. They are excessive, and they do not respond accurately to ratepayers' stated needs and preferences.

(a) The forecast base rate impacts for the major customer classes are set out in Table 1 below. These numbers, and the numbers for Table 2 on p3, are taken from the table at

1B-SEC-13, p2, filed on January 23, 2019, and are in Appendix A to this Submission. The numbers in the tables below do not include rate riders.

Table 1

Base Rate Increases

	Residential	<50 kW	50-999kW (mid-market)
2020	1.3%	3.6%	3.5%
2021	3.3%	3.5%	3.3%
2022	2.5%	2.5%	2.5%
2023	4.2%	4.7%	4.2%
2024	3.9%	3.9%	3.9%
TOTALS	17.2%	18.2%	19.4%

Cumulative Impact

The forecast cumulative increases over the 2020-2024 term for the various rate classes range from 15% to almost 20%, which are too high, given the fact that for residential, small business, and mid-market rate classes, the largest number of customers surveyed stated that electricity prices were their highest priority concern with their electricity service. The five year cumulative increase for the residential, small business, and mid-market (50kW-999kW) ratepayers are 17.2%, 18.2%, and 19.4%, respectively.

These forecast annual increases are well over the Board's current inflation projections and come with no forecast increase in reliability, except on a very few feeders, and for those, no

quantitative estimate of improvement. The increases are on top of very large increases over the previous five year custom IR plan, which are shown in Table 2 below.

Table 2

Base Rate Increases

	Residential	<50kW	50-999kW
2015	0%	0%	0%
2016	22.3%	22.9%	20.8%
2017	5.8%	6.3%	7.3%
2018	4.0%	5.1%	5.4%
2019	2.5%	3.8%	3.8%
TOTALS	34.6%	39.3%	39.3%

Adding the cumulative increases together reveals that cumulative rate increases over the current plan and forecast for the proposed 2020-2024 plan range from 40% to 60% (arithmetic) for the residential, small business, and mid-market ratepayers. The compound rates increases would be higher still. Ratepayers have been subject, and will continue to be subject, to relentlessly increasing rates over the ten year period, 2015-2024, with no assurances that the rate increases will abate after 2024. This approach is unacceptable. The base rates measure the increase in the price for distribution service only, which distribution service is the part of the overall customer bill for which Toronto Hydro is accountable, and their trajectory is the most important indicator of the extent to which the utility is responding to customer preferences.

They do not include the impact of rate riders which result in temporary additions to, or subtractions from, customers' distribution base rates. The rate riders are the result of previous

over- or under-payments, leading to credits or debits in variance or deferral accounts. They are in place only as long as necessary to offset the previous under- or over-payment. In this proceeding, the proposed rate riders result in a credit to ratepayers in each year of the term, but much of that credit is due to a substantial over-payment by ratepayers in the previous term. Ratepayers are just getting their money back. The rate riders should not be included in the distribution base rate impacts of the company's proposals for 2020-2024, as the company has done. For example, the company's evidence in its Executive Summary states that:

> *"For a residential customer, the utility's 5-year proposal would result in an average annual increase of $0.77 (1.7 percent) on Toronto Hydro's distribution portion of the bill..."* (p9).

This evidence conflates the impact of the rate riders with the base rates, and is misleading.

Total customer bill percentage impacts are necessarily smaller than base rate percentage impacts because, for the average residential customer, Toronto Hydro's distribution base rates account for about 25% of the total customer bill (Innovative Study, Low Volume Focus Groups, p19). The total customer bill is largely driven by the electricity commodity price, with additional amounts for transmission and various regulatory charges, which together make up approximately 75% of the residential customers' bill. So the impact of a substantial base rate increase will result in a much smaller percentage of the total customer bill. Put another way, even a substantial annual distribution rate increase will result in a relatively small percentage increase in the customer's total bill. However, this is not due to any restraint or discipline on the part of Toronto Hydro. The Board should pay less attention to the impact on the total bill, as it is mainly a function of the electricity commodity price at the time the calculation is made, which price has increased dramatically over the last several years. Moreover, outrageously high increases in the

distributor's price for its service can be made to look much smaller if compared with the total electricity bill (our emphasis).

The Board should also take note of the impact of large capital cost allowances in excess of depreciation on the revenue requirement and rates, especially in a Custom IR Plan, which includes very large capital expenditures year over year. The initial effect of the discrepancy is to reduce the revenue requirement, but the impacts will gradually reverse over time (assuming the large capex amounts do not persist forever), and begin to increase the revenue requirement.

2.1 Are all elements of Toronto Hydro's Custom Incentive Rate-setting proposal for the determination of rates appropriate?

No. Some of the elements, including the C-factor and the stretch factor, are not.

The elements of Toronto Hydro's custom IR Plan include the I-X formula, a growth factor, and a C-factor.

The company has proposed the Board's current inflation rate, an industry productivity factor of 0%, and a stretch factor of 0.3%. BOMA supports the use of the Board's approved inflation factor, and the Board's approved electricity industry growth factor of 0%. The Board has approved the latter in several recent cases. BOMA notes that Pacific Economics Group ("PEG"), in its testimony on behalf of Board staff, supported the industry growth factor of 0%, although it also noted that in a recent study that it performed for the United States Department of Energy (Lawrence Livermore National Laboratory), it had determined that in the United States, the electricity distribution industry productivity was currently increasing at rates between 0.2% and 0.4% annually.

BOMA notes that both the industry productivity factor and individual Ontario utility stretch factors have been the subject of extensive analysis by the Ontario Energy Board (the "Board"), Board staff, and substantial work by PEG as a productivity consultant to Board staff. They are well grounded in empirical research and theory.

BOMA does not support Toronto Hydro's proposed stretch factor of 0.3%, which is 50% lower than its current Board approved stretch factor of 0.6%. In EB-2014-0116, the Board assigned Toronto Hydro a stretch factor of 0.6% (EB-2014-0116, p14) based on the fact that Toronto Hydro was classified as a high cost performer (Ibid, p15) based on the Board's annual benchmarking.

The Board undertakes annual benchmarking for all Ontario distributors, and based on those benchmarking results, assigns each distributor a stretch factor. The 0.3% stretch factor corresponds to an average performer, while a 0.6% stretch factor corresponds to a high cost performer. In EB-2014-0116, based on benchmarking filed by Power Systems Engineering ("PSE") to support the Application, Toronto Hydro proposed a stretch factor of 0.3%, rather than the 0.6% that would otherwise have been applied by the Board to Toronto Hydro (EB-2014-0116, p14).

In EB-2014-0116, the Board found that:

> *"The appropriate stretch factor for Toronto Hydro is 0.6%. The OEB finds that the evidence as a whole is not sufficiently persuasive to support the change sought by Toronto Hydro."* (Ibid, p15)

In that decision, the Board took issue, inter alia, with PSE's inclusion of an "urban core variable" in PSE's benchmarking model. It stated that:

> *"...it cannot determine that the evidence demonstrates that it exists."* (Ibid, p16)

The Board also favoured PEG's suggested asset inflation factor of 2%, rather than the 4.55% proposed by PSE, given that the 2% is:

> *"...more closely aligned to the value used by the OEB as the annual inflation factor."* (Ibid, p18)

In this proceeding, PSE has changed the nature of its "urban core" variable from a binary variable to one based on the percentage of a utility's service territory, then is characterized as "congested urban", but it did not abandon the concept. It also changed the name of the variable, from urban core to "congested urban".

In its benchmarking study for this case, PSE determined that Toronto Hydro's costs were 18.6% below their model benchmark on average over the three most recent years for which data was available (2015-2017). However, the company's forecast costs over the 2020-2024 period were on average just 6% below the benchmark, and by 2024, the final year of the plan, the forecast cost was only 2.6% below the benchmark, marking the nineteenth year of continuous decline (worsening performance) (Exhibit 1B, Tab 4, Schedule 2, p6). Appendix B reproduces p6 of the PSE Report, which shows these results.

PEG's evidence (on behalf of Board staff) in this case came to very different conclusions. PEG found that Toronto Hydro's performance in the early years of the study period (2005-2014) were well below the benchmark, but declined steadily over the period. Cost efficiency declined substantially over the current IR plan, to track the benchmark over the 2015-2017 three year period, and is forecast to continue to worsen over the proposed 2020-2024 plan, to an average 15.6% over the benchmark for the five years of the plan (Exhibit M1, p53) (our emphasis).

These results are shown in a table on p54 of PEG's study, which page is reproduced at Appendix C to this submission.

BOMA believes the PEG study to be the more reasonable study, for several reasons.

First, PEG provided a more balanced set of variables, particularly its treatment of the urban character of Toronto Hydro. PSE has reintroduced its urban core variable that the Board did not approve in EB-2014-0116. It has merely changed the variable from a binary one to one based on the percentage of a utility's service territory that is characterized as congested urban.

The PSE model defines a congested urban area as an area with a concentration of buildings more than seven stories high, which seems a gross oversimplification and inconsistent with the definition of the Toronto space that PSE says it is congested urban in nature, as buildings over seven stories are widely dispersed throughout the city. In addition, PSE doubled down on the urban congestion variable by adding a number of hybrid variables, such as the percentage underground multiplied by the congested urban variable, and a number of interactive and quadratic factors. These hybrid terms are opaque and the study does not show how they are calculated, and why they are being introduced. PSE has admitted that the congested urban variable has a very significant impact on Toronto Hydro's benchmark results, the largest of any of the impact variables. This impact was quantified in J9.3, an undertaking response which PSE produced (reluctantly), and only in response to a Board directive, and which contains a table showing Toronto Hydro's performance is drastically worsened, versus its benchmark with the congested urban variable removed. J9.3 is reproduced at Appendix D of this submission.

PEG has stated that it does not agree with PSE's model's treatment of what it calls the urban challenge. PEG states:

> *"We acknowledge that the Company faces substantial urban challenges in the provision of distributor services but disagree with the* [PSE's] *model's treatment of these challenges. Moreover, the model doesn't capture rural challenges that some distributors face, unlike a previous total cost benchmarking model that PSE prepared for Hydro One Networks in another electricity distributor rate application.*
>
> *In addition to numerous business condition variables, the model includes an unusually large number of quadratic and interaction terms for these variables which jeopardize the precision of all parameter estimates".*

PEG notes their further concerns with PSE's choice of variables at pp 71-72 (Exhibit M1).

BOMA notes, in particular, PEG's critique of PSE's use of an interactive term between PSE's congested urban and underground variables. Undergrounding is a characteristic of urbanization, but is not, at least in Toronto Hydro's case, restricted to the urban core, and is widespread and increasing throughout Toronto Hydro's large suburban areas.

On the failure to provide a "rural" variable in the model, criticized by PEG, PSE seems to be shaping the model to maximize the advantage to Toronto Hydro.

BOMA also agrees with PEG that the PSE model is somewhat fragile, and overly susceptible to small changes. For example, the impact of the removal of the congested urban variable on the PSE's benchmark model results is a very large change in Toronto Hydro's results, as can be seen by comparing the results in Appendix D (J9.3) with the results in Appendix B.

While PEG used an urban challenge variable, it did not use the interaction term of urban congestion core and underground.

PEG's model does not include pension and benefit costs, because consistent data is not available for its US sample.

BOMA's view is that urbanization may also bring with it some cost reductions. For example, the rapid growth of condominiums in central Toronto may allow Toronto Hydro to lower the connection and total line costs per customer. When Toronto Hydro connects a new condominium tower, it connects several hundred customers. The cost of connecting several hundred customers in single family homes, spread across a distant suburban or exurban area, may be higher, given that the costs of internal wiring of a tower are largely borne by the developer/condominium owners.

PEG suggested a stretch factor of 0.45%, with which BOMA agrees. However, BOMA considers its proposal rather generous.

Custom Capital Factor

Unlike the industry productivity and stretch factors, the "custom capital factor" is not determined by empirical research. It is simply the percentage, when applied to the capital driven portion of the company's revenue requirement in a given year (depreciation, return on capital, and PILs), which will generate funds required to finance that year's proposed capital expenditures, over and above the funds that will be generated by the I-X percentage plus the growth factor. Put another way, the custom capital factor is designed to fund the bulk of the capital expenditures proposed in each year of the five year plan.

The company's evidence describes the calculation of the custom capital factor at Exhibit 1B, Tab 4, Schedule 1, p9 of its evidence. The evidence notes, at the bottom of p9, that:

> *"The values of Cn* [the capital factor for each year] *represent the amount by which base rates would need to be increased to fund Toronto Hydro's capital needs over the course of the rate term."*

Note that the capital factor varies from year to year to reflect the changes in the capital driven portion of the revenue requirement (return on capital, depreciation, and PILs) from year to year. Note that the capital factor does not apply to annual OM&A expenditures, or revenue offsets which are escalated annually by the I-X percentage.

For example, if the Board were to reduce Toronto Hydro's proposed capex by 10%, in this case, the proposed capital factor percentages would also decline by 10%.

Unlike the I-X formula from fourth general IRM, which incents the utility to become more efficient and to enhance the productivity of both its capital and operating expenditures, the capital factor is not a constraint on the company's ability to spend capital or an incentive to become more productive. As noted above, it is designed to enable the company to fund its proposed capital expenditures over the five year plan. It ensures that Toronto Hydro receives hundreds of millions of dollars each year more than it would receive each year from the I-X factor used in fourth generation IRM, and a reasonable growth factor. Nor is it contingent on the company meeting any specified productivity improvements over the plan term.

Moreover, given the size of the proposed increase in capex over the five year plan, and the hundreds of unprioritized projects included in that plan, the use of the capital factor facilitates a less rigorous examination of the capital expenditures, and in-service additions than is desirable. This result is best understood by comparing the use of the custom capital factor in a custom IR proposal to the alternative - fourth generation IR with access to the ICM/ACM.

Under the fourth generation IR regime, an applicant seeking to spend more funds on capex (which will eventually become part of in-service additions and the rate base, and increase the

revenue requirement for the following year(s) over the plan term), than will be provided by the annual I-X plus growth formula, must identify the distinct capital projects for which it is seeking ICM or ACM treatment. The distinct projects must be determined to be ICM-eligible, rather than part of the normal day to day operations of the utility, and must be projects that have a significant impact on the operations of the utility. In addition, the Board's ICM/ACM policy includes a materiality factor and a deadband, which are designed to ensure that the applicant is not able to access ICM funding until it has used the cash flow from existing depreciation, and reprioritization, and from existing rates and growth. Moreover, each project for which the utility is seeking ICM funding must meet a project-specific materiality test.

The Board, intervenors and Board staff are able to challenge the costs proposed for each project, and the need for the project (unless the need been established in a previous leave to construct case). The level of scrutiny is much greater and there is no guarantee that the company will receive ICM funding for the proposed projects. The Board has often turned down some of the proposed projects after detailed analysis, as for example in EB-2018-0016 (Alectra).

The custom IR with capital factor allows for no such scrutiny, particularly given the way the company has structured the capex portion of its plan (see below).

In EB-2017-0049, PEG had suggested that a materiality factor and dead zone be added to the capital factor. The Board declined to do so as it found that there was no detailed evidence as to how a materiality factor and dead zone would be incorporated into the capital factor (p33).

PEG has continued to express concerns about Toronto Hydro's use of a custom capital factor in this application, concerns which BOMA shares. PEG states at p62 of its evidence that:

> *"The proposed ratemaking treatment of capital is our chief concern. The C factor would ensure that the Company recovers its projected/proposed capital cost less a perfunctory stretch factor markdown. Any cumulative capex underspend would be returned to the ratepayer. Externally-driven capex such as that due to highway construction would be addressed by a variance account. Hence, capital revenue would chiefly be established on a cost of service basis."* (our emphasis) (Exhibit M1, p62)

PEG went on to state:

> *"Given the inherent unfairness to customers of asymmetrically funding capital revenue shortfalls, Toronto Hydro's weak incentive to contain capex, and the Company's incentive to exaggerate capex requirements, stakeholders and the Board must be especially vigilant about the Company's capex proposal."* (Exhibit M1, p63)

In this case, PEG provides the detailed evidence on how that integration of a materiality threshold and deadband into the C-factor regime can be accomplished. PEG demonstrated that the 0.15% markdown to the capital factor, ordered by the Board in EB-2017-0049, does not provide the same markdown (incentive) as the materiality threshold in an ICM or ACM. PEG's analysis concludes that, to ensure that the C-factor results in an equivalent markdown (incentive) to the applicant to that provided by the fourth generation IRM approach, the average capital factor over the five year period would need to be reduced from 3.64% (the company's current proposal) to 3.17%, a reduction of approximately fifty basis points on average over the plan term. PEG's evidence provides the methodology and calculations to support its conclusions at J10.5. BOMA notes that the proposed reduction in the capital factor are in the order of 14% of the requested C-factor. BOMA recommends the Board reduce the proposed C-factor by the amount suggested by Dr. Lowry. The Board should also require a project-specific materiality factor to ensure that Toronto Hydro finance critical smaller projects through reprioritizing other projects.

However, BOMA regards its proposal to reduce the capital factor to be an interim solution only. BOMA recommends that the Board set a deadline after which it will not accept a C-factor as part of a custom IR proposal from any Ontario utility. For reasons BOMA explains in this Submission, BOMA believes that a custom IR coupled with a C-factor is not consistent with the Board's RRFE framework. The C-factor effectively transforms the custom IR into a multiyear cost of service plan. It makes intervenor and Board scrutiny very difficult. On the one hand, given its multiyear character, it lacks the opportunity for detailed scrutiny that a series of one year cost of service proposals would ensure. On the other hand, without very clear requirements for continuous improvement and measurements of those improvements, a cap on total capital expenditures which prevents the utility from simply recovering its budgeted capital expenditures, or more, without serious challenge. For example, the Board has stated in earlier cases that the utility is free to apply to recover capital overspends at rebasing (to demonstrate prudency). There is no capital spending cap. The Board has, neither clearly articulated, nor enforced the critical requirements. In BOMA's view, the custom IR concept is flawed and should be rethought.

The Revenue Requirement Impact of Two Deferral Accounts

The custom IR plan does not restrict Toronto Hydro from overspending the plan's capital budget. The revenue requirement impact of a capital overspend in any plan year is placed in the CRRRVA account and will be used to offset revenue requirement impacts of underspends, if any, in other plan years, which underspends would otherwise be returned to ratepayers, in the form of lower rates at rebasing. The utility may apply to recover any "net" overspend at rebasing.

This "tracking" feature of the CRRRVA account is not appropriate because the requirement to return underspends to ratepayers is simply returning to ratepayers monies they have already paid the company in rates. There is no equivalence between returning ratepayers' money to them and allowing the company to spend in excess of its capital budget and recover those funds from ratepayers. The current structure of the account does not make sense.

Relative to the fourth generation IRM plan, the company's plan tends to encourage overspending on capital because, as a practical matter, particularly given the company's refusal to prioritize its capex projects, obtaining a clear view of the company's realistic needs is very difficult. The Board has become increasingly concerned about the multiyear custom IR with C-factor since the construct first was approved in EB-2014-0116.

The CRRRVA account which requires Toronto Hydro to credit amounts of any variance account for any shortfall of in-service additions, but only at rebasing, and only in the event that Toronto Hydro's overspending in other plan years does not offset the underspending in plan years is not fair to customers. For example, the structure of the account would permit the company to eliminate any remaining credits by overspending in the fourth and fifth years of the plan.

Moreover, accuracy in budgets is important, and should not be compromised by this overspend feature.

BOMA suggests that the CRRRVA be amended in this proceeding, to remove the tracking feature, and simply record underspends, which, as part of the annual adjustment process, be returned to ratepayers to ensure that the ratepayers do not pay in rates for services they have not received. In addition, the utility should not be able to apply at rebasing to include capital

expenditures in excess of its budget at rebasing. The plan's proposed capital budget should be a hard cap, to incent Toronto Hydro to budget more accurately.

Finally, the current variance account for third party driven capex incents excessive capital expenditures. First, notwithstanding the fact that Toronto Hydro has increased its annual "system access relocation projects" forecast to about $100 million annually, from $50 million annually, in the previous IRM plan, the variance account is maintained without modification. Toronto Hydro, therefore, is not required, in the event of a government direction to relocate assets in excess of Toronto Hydro's forecast of such amounts to reduce some of its other planned capital expenditures, in the system renewal, system service, or general plant categories, to offset the unforeseen increases in government relocation directives. The company just increases its capex to accommodate the additional requests. Nor does it have an incentive to negotiate vigorously the cost sharing for various relocation projects, such as Metrolinx-driven infrastructure replacements projects, that do not fall under the Public Utility on Public Highways legislation.

Moreover, the wording of the variance account allows Toronto Hydro to include opportunistic customer service infrastructure expansion projects that are occasioned by the replacement request to be included in the variance account. This feature leaves a very large loophole to place large costs in a deferral account in respect of projects that would be incurred in any event in the next year or two, and would have to be included in the company's capital budget for that year. It is not appropriate to use the infrastructure relocation deferral account for this purpose. At the very least, only the advancement (interest cost) should be included. But given the difficulty of drawing a clear line between such projects and business as usual customer service projects, it is preferable to remove that feature from the account. BOMA would also suggest that a portion,

50%, of any relocation-required capex, over and above that included in rates, be absorbed by Toronto Hydro through reduction of other, lower priority projects.

Earnings Sharing Mechanism

BOMA's view is that Toronto Hydro's earning sharing proposal is not appropriate. It is designed to be a true-up of the non-capital driven part of revenue requirement. That is not the purpose of an earning sharing arrangement, as it has developed in Ontario's regulatory jurisprudence. The true purpose, now well established, has been to allow ratepayers to share in overearnings during the IRM term. BOMA proposes that the earnings sharing mechanism be returned to its "normal" configuration, with a 100 basis point dead zone. In other words, actual earnings in excess of 100 basis points over Board approved ROE shall be shared 50%-50% between ratepayers and the shareholder. The earnings sharing mechanism should also be asymmetrical, and calculated for each year of the plan. Amounts due to ratepayers under the earnings sharing plan should be disposed of to ratepayers at rebasing.

BOMA accepts the Z-factor and off-ramps as proposed, in accordance with Board policy.

3.1 Are the proposed 2020-2024 rate base amounts (including the working capital allowance amounts) reasonable?

The company's evidence provides the following data on the proposed increase in rate base over the 2020-2024 plan term (J1.7, Appendix A):

2020	$4.592 billion
2021	$4,829.1 billion
2022	$5,076.4 billion

2023	$5,365.5 billion
2024	$5,636.3 billion

For comparison purposes, the company's rate base in 2009 was $2.03 billion.

The rate base is forecast to increase over the plan period by $1,044.1 billion, an increase of approximately 20.2%, with average annual increases of about $200 million. These increases, like the increases in capital expenditures (see below), are excessive.

Toronto Hydro uses the half year rate to calculate its annual in-service additions. However, as the Board staff has noted in its submission, the calculation of depreciation is based on monthly information (2A-Staff-52(b)). BOMA proposes that using this method to calculate the two components of the rate base should be consistent. It recommends that in-service additions should be calculated on an average of monthly average basis, making it consistent with the calculation of depreciation.

BOMA believes it is a more accurate measurement on in-service additions, especially given that in-service additions are typically launched toward the end of the year, given the Canadian construction cycle.

Board staff has calculated that, on the basis of data provided in J1.9, the rate base in each of years 2020 through 2024 would be about $74 million lower than the applicant's proposed rate base amounts if the Board accepts the move to an average of monthly averages approach. BOMA agrees with this calculation, and proposes that the Board direct Toronto Hydro to adopt the average of monthly averages approach to calculate in-service additions.

Copeland Disallowance

Net of the large decrease in Toronto Hydro's required capital contributions to Hydro One, Toronto Hydro's actual cost to complete Phase I of the Copeland station was $164.1 million, compared to the Board's approved amount of $134.6 million, a cost overrun of $29.5 million, or 19% (2B-Staff-95, p4).

The components of the overrun included design and construction for both substations ($20 million) and building design generally ($3 million), offset to some degree by a lower than forecast capital expenditures for substation equipment (Ibid).

In BOMA's view, a substantial part of the overrun was the result of improper and incomplete planning, and failure to properly assess issues of potential project risks (2B-Staff-95(b)).

BOMA is of the view that the Board should disallow $10 million of the $29.5 million cost overrun.

Contractor Insolvency

In the event Toronto Hydro's first contractor, Carillion Construction Inc., which is currently in insolvency proceedings, is required to make a payment to Toronto Hydro pursuant to these proceedings, or otherwise, BOMA agrees with Board staff that that amount should be characterized as an offset to rate base. The revenue requirement impact of the removal from rate base should be placed in a new deferral account, the Carillion Insolvency Payments Receivable Account. The amount should not be recorded in the CRRRVA. It would not be appropriate, given that Toronto Hydro chose Carillion as its contractor, for Toronto Hydro to profit from failing to properly assess the risk of its failure.

3.2 Is the level of proposed 2020-2024 capital expenditures and in-service additions arising from the distribution system plan appropriate, and is the rationale for planning and pacing choices, including trade-offs between capital and operating costs, appropriate and adequately explained?

Excessive Increases in Capex

The level of the proposed 2020-2024 capital expenditures of $2,827.4 billion and capital in-service addition is inappropriate for several reasons.

First, the forecast capital budget for 2020-2024 is $2,827.4 billion compared to the 2015-2019 Board-approved budget of $2,241.2 billion, an overall increase of $586.2 million, an average annual increase of $117 million, a 20% annual increase. The company's evidence is that the 2020-2024 capex total amount is 19% higher than that of the previous plan (2B-BOMA-62), and in-service additions are correspondingly higher (see comments on in-service additions below). The company states:

> *"As the Distribution System Plan is a five year plan, the appropriate comparison for the capital expenditure plan is between the total 2020-2024 amounts, and the 2015-2019 actuals and bridge year amounts. On this basis, Toronto Hydro is proposing to increase its overall capital expenditures by approximately 19 percent".* (2B-BOMA-62)

In BOMA's view, the company misled the Board when it stated during presentation day, which presentation is part of its evidence, and during which no cross-examination or questions by intervenors were allowed, that the 2020-2024 budget constituted a slight increase (Presentation Day Tr, p10) over the previous plan's capital budget.

During Presentation Day, the company stated:

> *"These charts show that for total capital, you will see that the 2020-2024 plan is comparable to historical expenditures. There is, however, a slight increase, 'I will speak to why this is needed in the coming slides.'"* (our emphasis)

Moreover, BOMA's actual question in BOMA-62 IR (part (a)) was to seek an explanation for the company's proposal at Exhibit 2B, Tab A4, p33, Table 7, to increase capital expenditures in 2020 (the cost of service year) over 2019 by $84 million (20%). Toronto Hydro did not answer that question.

Furthermore, Toronto Hydro overspent its approved capex budget by a total of $130 million over the 2015-2019 period (U.Staff.173, Appendix C, p1). They overspent in each year of the 2015-2019 plan. In one year, 2017, Toronto Hydro overspent by 18.5%.

Moreover, nowhere in the budget, or elsewhere in the proposal, are specific productivity improvements including the method by which they will be measured and identified.

These sustained large capital expenditures are excessive, and the resulting in-service additions and rate impacts are unacceptable.

In making the comparison between the capital budgets for 2015-2019 and 2020-2024, the Board should note that these large increases are in spite of the fact that Toronto Hydro has increased its forecast capital contributions from $311 million (actual) in 2015-2019 to a forecast of $473.1 million in 2020-2024, an increase of $162 million, or more than 50% (Tr.2, p125).

Priorities and Pacing

Toronto Hydro's evidence is that it cannot prioritize its eleven capital programs among one another. It also seems that it cannot, with the exception of rear-lot conversions, prioritize the projects within any of its programs, one against another.

The company stated:

> *"The capital programs that form part of this application cannot be ranked in priority between them."*
>
> *"We can't say that investing in our station renewal activities is, for example, more important than investing in our network system."* (Tr.2, p129)

While BOMA believes that, from an engineering perspective, each program has a rationale, as a practical matter, at a given point in time, given the investments Toronto Hydro has made in the past, the relative condition of the assets in question, Toronto Hydro's reliability objectives and needs for the next few years, Toronto Hydro can prioritize one program group over another to a considerable extent. BOMA does not suggest that Toronto Hydro would not do a single project in any program, but the emphasis among programs would be different, and more projects, with a larger share of the total budget, would fall into some programs more than in others.

The company stated that it would prioritize projects in programs where projects were somewhat homogenous to a reasonable extent (Tr.2, p131). But they have not done so, except for rear lot conversions (Tr.2, p131). The company also stated that, in the event they wished to reprioritize, they would need to then revisit their planning and reporting process (Tr.2, p132). Of course they would. That revision is, in BOMA's view, what reprioritizing the programs/projects means. But what were the original priorities, the foundation against, which those subsequent decisions were taken?

Lack of stated priorities, among programs and/or projects, is evidence of lack of discipline in assembling the capital budget and in pacing capital projects.

The Board has stated that the RRFE requires pacing and prioritizing in order to transparently reflect the overall purpose and scope of the DSP, which is what drives capital expenditures, in-

service additions, and ultimately, 70% of the revenue requirement in this proceeding. While the company may, on occasion, need to do projects out of the order specified in its prioritized capital budget, the Board needs to have some sense of the impact of a decision to reduce the level of capital expenditures. The knowledge of impacts, which can be determined if Toronto Hydro has prioritized its projects within and across programs can help determine whether Toronto Hydro is making decisions consistent with the overall priorities of the plan, and good asset management practices. Toronto Hydro states that all the projects are necessary; a statement that is incorrect. Some projects are required by law, such as those projects to relocate utility infrastructure at the direction of governments or public agencies, or to comply with deadlines in environmental statutes, such as the Canadian Environmental Protection Act, which has set a deadline of January 1, 2025 for the removal of PCBs from utility infrastructure. Customers must be connected in accordance with the timelines in the Distribution System Code. Some projects are reactive, needed to replace failed assets. Projects that were partially completed in the previous year(s) normally have priority, for cost-effectiveness and efficiency reasons, over projects not yet started. Not all projects are of equal urgency. However, Toronto Hydro has some discretion over the other categories of projects, such as system renewal, general plant, and some system service projects. Good asset management practices require that asset condition, not just age, should drive system renewal projects.

The absence of prioritization leads BOMA to wonder whether the annual revisions are more ad hoc.

System renewal capital expenditures, which constitute, by far, the largest element of the overall 2020-2024 capital budget increase from $1.31 billion in 2015-2019 to $1.62 billion in 2020-2024

(Tr.1, p30), an increase of 24%. In-service additions increased from $2.47 billion (actual and forecast) in 2015-2019, to a forecast $2.74 billion for 2020-2024, an increase of 11% (Tr.1, p32).

In-Service Additions

Toronto Hydro's proposed in-service additions related to the proposed capital expenditures and CWIP are $2.77 billion over the 2020-2024 plan term.

BOMA shares Board staff's concern about the current methodology used by Toronto Hydro to convert capital expenditures and CWIP into in-service additions, which are discussed at pp97-100 of Board staff's submission. BOMA supports Board staff's recommendation to forecast and report in-service additions, at the program level, while continuing with its current practice of forecasting in-service additions for major projects, on a project-specific basis. BOMA suggests that major projects be defined as any project in excess of $5 million. BOMA accepts Toronto Hydro's current practice for this proceeding, but Toronto Hydro should use the proposed new approach in its next rebasing.

BOMA agrees that Toronto Hydro should file detailed schedules as part of its draft rate order that show how approved capital expenditures have been reflected in in-service additions over each year of the 2020-2024 term, on a project by project basis.

This reporting, combined with the new method of calculation, will allow the Board to determine whether assets it approved to go in-service actually did go in-service, and then ask for explanations if they did not, and/or other projects did. The Board's adoption of these recommendations on in-service additions will go some way to dealing with the complexity of the current custom IR approach, which BOMA discusses at length elsewhere in this Submission, and

would assist intervenors and the Board to obtain a clear picture of the extent to which Toronto Hydro's executive decisions actually reflect the Distribution System Plan. A direction to prioritize programs/projects, in conjunction with the above recommendations would also help.

3.2 (Continued) Capital vs. OM&A; and Productivity Improvements (the latter is also part of Issues 2.1 and 2.2), and impacts on reliability)

Issue 3.2 contains, in part, the issue of whether the rationale for planning and pacing choices, including trade-offs between capital and operating costs, are appropriate and adequately explained.

The Board has, in recent cases, including the last Toronto Hydro case, emphasized the need to show how capital expenditures will reduce operating costs.

In EB-2014-0116, the Board stated:

> *"While the OEB recognizes that the relationship between capital spending and OM&A is complex, the OEB finds that it is reasonable to expect that there will be some reductions in OM&A costs, particularly those related to maintenance, from the large capital expenditures, over many years, on system renewal, general plant, and system service. New assets should require less maintenance and their old assets (at least in the correction maintenance category) and underground assets should require less maintenance than overhead assets as there is no need for vegetation management and no issue of animal interference.*
>
> *The OEB finds that as aging assets are replaced, the extent to which the system requires reactive maintenance should be reduced. Most of Toronto Hydro's capital spending is on system upgrades rather than the expansion of their system, so new assets are replacing old ones that require corrective maintenance in addition to routine inspections and preventative maintenance"* (p11) (our emphasis).

Many of Toronto Hydro's system renewal capital programs, such as rear lot conversion, underground replacements, network automation and control, replacing and utilization of enterprise development software, fleet capital expenditures, worst case feeder replacement, and underground network replacements in the downtown core, are capital programs, as a result of

which one would expect improvements in OM&A, including corrective and material maintenance, and vegetation control costs, as a result of more undergrounding of assets and rear lot conversions.

However, there is very little evidence or discussion of OM&A reduction driven by this very large capital plan. Generally, Toronto Hydro is rather dismissive of the potential for OM&A reductions as a result of capital programs. It identifies such savings resulting from one or two of its capital programs, and some savings mentioned are very small.

Reliability

Toronto Hydro's evidence is that among all the Ontario electric utilities, it is in the second quartile for SAIDI and the third quartile for SAIFI (Tr.1, p33), and in the two cost benchmark studies (PSE and PEG) in this proceeding, it fares better than benchmark on SAIDI and worse than benchmark on SAIFI. The company's evidence is that the reliability is somewhat higher today than it was in 2015, at the start of the last plan (Tr.1, p35). The company exceeded its plan targets for SAIFI and SAIDI improvements over the 2015-2019 plan, even though in its EB-2014-0116 decision, the Board reduced the company's proposed capital budget by $300 million.

However, in this case, despite a large increase in capital budget over the 2015-2019 capital budget, Toronto Hydro is forecasting no reliability improvements, other than on a very few feeders, and in those cases by an unspecified amount.

This application proposes very large capital expenditures over the term, following large capital expenditures over the previous term, which results in a total cost of $5,068 billion over ten years prior to overspends. Most of the expenditures are on system renewal, and general plant projects.

Yet Toronto Hydro has committed only to maintain reliability. Toronto Hydro should be making commitments to improve reliability, given the size of the proposed system renewal capital budgets in 2015-2019 and 2020-2024. By the same token, Toronto Hydro's evidence, in response to questions by Board member, Frank, is that it did not examine alternative plans and capital budgets that would result in no rate increases or rate decreases over the term which might result in acceptable decreases in reliability (Tr: Evidence Overview Presentation, p38) (our emphasis).

Measurable Productivity Improvements

One of the custom IR plans required features, one that distinguishes a custom IR plan from a multiyear cost of service plan, is the company's clear commitment to measurable productivity and efficiency improvements over each year of the plan term; in other words, continuous improvement. However, Toronto Hydro has stated (CCC.14) that it cannot forecast the savings which will result from capital expenditure programs, or from other productivity initiatives. Both Board staff and BOMA had asked Toronto Hydro to provide estimated cost savings resulting from each of the capital expenditures listed in their explanations of how the savings will be monitored and measured over the 2020-2024 period (2B.Staff.62). The preamble to the Board staff's question was:

> *"Toronto Hydro lists the following sources of cost savings resulting from its capital programs; Grid Modernization, Capacity Improvements, Standardization; Area Rebuilds; Conservation First; Safety and Environmental Costs; Enhanced Work Coordination; Facilities Asset Management System; and Procurement"* [Exhibit 2B, Section A4.4, pp22-23] (our emphasis).

Toronto Hydro referred Board staff and BOMA to 1B-CCC-14. There, Toronto Hydro stated:

> *"At this time, Toronto Hydro is unable to quantify the estimates of cost savings of the planned initiatives [the ones listed above]. As part of the continuous improvements throughout the plan period, Toronto Hydro intends to evaluate the operational effectiveness gained, as well as the reduced and avoided costs".*

BOMA finds that Toronto Hydro's reluctance or inability to estimate savings from productivity initiatives, whether of a capital or OM&A nature, including OM&A reductions from capital programs, is unacceptable. Without being measured, savings cannot be demonstrated. The proposed initiatives remain at best aspirational, unsupported assertions. It is critical to the success of a results-driven incentive regime, especially a custom IR proposal, that the benefits from productivity enhancements can be measured and verified. Toronto Hydro should already have regimes in place to measure the savings from each of the cited initiatives, as well as others.

The lack of such measurable productivity improvements makes Toronto Hydro's custom IR proposal non-compliant with a fundamental requirement of the custom IR option, as outlined in the RRFE, namely, that it demonstrate "continuous improvement" over the term of the plan.

Moreover, the Rate Handbook states that:

> *"Custom IR is not a multi-year cost of service, explicit financial incentive for continuous improvements and cost control targets must be included in the application."*

In its last Toronto Hydro decision (EB-2014-0116), the Board observed that:

> *"At the heart of the RRFE policy objectives are customer-focused outcomes and continuous improvement by distributors* [EB-2014-0116, p4]. *A Custom IR, unlike other rate-setting options in the RRFE, does not include a predetermined formula approach to annual rate adjustments. It does not automatically trigger a financial incentive for the distributor to strive for continuous improvement. The OEB expects that Custom IR applications will include features that create these incentives in the context of the distributor's particular business environment" [Ibid, p5]* (our emphasis).

BOMA reads these comments as requiring more than simply a stretch factor.

In its March 19, 2019 decision, EB-2017-0049, p57, the Board discusses how it wishes Hydro One Distribution to deal with productivity initiatives in future proceedings.

> *"In further applications, the Board directs Hydro One:*
>
> > *...to clearly describe the methodology by which any claimed productivity savings are determined, and whether these savings represent net cost savings for the company, which would translate into reduced costs for its rate payers. In addition, as recommended by BOMA in its final argument, the Board directs Hydro One to file, within twelve months of the Decision and Order, a report showing the status of productivity initiatives listed in I-25-Staff-123, including actual savings with a discussion of any deviation from plan"* (p57).

It is simply not good enough for Toronto Hydro to say that they focus on productivity in everything that they do in the operation of their business.

The company agreed that over time, they may be able to measure the impact of the new inspection forms. They did not provide examples of productivity initiatives, for which they are currently measuring savings. Perhaps they can do so in their reply argument.

The Board should direct Toronto Hydro to establish a group of productivity enhancement initiatives, either capital or OM&A, with measureable and verifiable results over the plan term and beyond, and to report to the Board and intervenors annually on progress in meeting the savings targets for each measure.

Toronto Hydro has not done that in this case, and it is not enough to claim, as they have claimed, that the proposed levels of the OM&A and capital budgets are evidence of continuous improvement. Specific initiatives must be identified, measured and reported. The Board should provide timelines for these activities.

BOMA believes that Toronto Hydro can and must dig deeper to find ways to measure results of its productivity and continuous improvement initiatives, and to establish a deep inventory of such measures. For example, the company stated that it might be possible to measure savings from some OM&A improvements over a longer period of time (Brett). They need to think harder about this challenge.

Unit Costs Analysis and Benchmark

In its Handbook for Utility Rate Applications, October 13, 2016 ("Rate Handbook"), the Board makes clear that applicants proposing custom IR plans must provide evidence in the form of external benchmarking and internal analysis to compare specific programs or projects on a year over year basis, and with other utilities to determine best practices measures for unit costs and other measures. Progress on unit costs over time would be one example of continuous improvement, and proposals to lower unit costs for a particular asset class(es) by a specified amount, in a specified time period, could be considered productivity improvements.

The applicant retained UMS, a consulting firm:

> *"to conduct a third-party independent review of Toronto Hydro's methodology for deriving unit costs and also to perform a benchmarking comparison on a pre-selected group of asset categories and maintenance programs."* (Tr.8, p100)

The study noted that:

> *"...while the unit cost concept was straightforward, the reporting of unit costs for productivity measurement and benchmarking is complex. (Ibid)*

The study purported to compare Toronto Hydro's unit costs for seven asset replacement programs and four maintenance programs with a peer group of seventeen US and Canadian utilities, and to assess Toronto Hydro's maturity level in measuring unit costs to determine

performance. Mr. Cummings, the company's expert, when asked "*is it fair to say that the use of unit cost analysis as a performance measurement tool in rate cases is still at a fairly immature stage*", answered in the affirmative.

He noted that, as an example:

> *"fifty percent (50%) of the utilities responding to the survey could not provide unit costs for three of the four maintenance programs."* (Ibid, p6)

The study also noted that:

> *"most unit cost data from utilities are orders of magnitude estimates used to support financial reporting requirements, and define staffing levels."*

The witness further stated that Toronto Hydro was at about the same state of maturity as the industry as a whole except that Toronto Hydro was aware of the shortcomings of unit cost measurement and was attempting to improve upon existing practices.

The witness stated that he was not aware of any rate case in either Canada or the US where unit cost was a driver of the regulator's decision (Tr.8, p153).

UMS received unit cost data from Toronto Hydro at the outset of the study.

BOMA notes that the numbers provided by Toronto Hydro were not included on the record, and that the validity of the study's benchmarking comparison depends on the validity of the numbers provided by Toronto Hydro. The witness stated that UMS did not audit the Toronto Hydro numbers as part of the study.

The UMS study was not an econometric study, but rather a direct comparison of Toronto Hydro data with data from a peer group selected by UMS and Toronto Hydro. BOMA has concerns about that peer group. Ten of the seventeen peer group members are clients of UMS. Other

companies were members of UMS' "learning consortia". Some peer group members, like SaskPower and Pacific Gas and Electric, have huge service areas, many thousands of square miles. Others are single city utilities of very different sizes, like Toronto Hydro and Lansing, Michigan.

It is not clear how UMS compensated for those differences in service area size. In some cases, they appeared to use data for specific utility administrative regions, or for regional offices, rather than the entire utility.

The expert's evidence is that UMS did not conduct a full scale performance assessment. They did not go into that level of detail. Their evidence is also that the results were only "directional"; not performance assessments.

In addition, each difficulty factor, which the study used to "normalize" the unit cost, was assigned the same impact factor of 20%. Moreover, without the adjustment of unit cost data provided by the utilities for UMS' "chosen difficulty factors", Table IV-1, at p17 shows that in every case but one (pole-top transformer replacement), Toronto Hydro's unit costs are very close to the median. For pole-top transformers replacements, Toronto Hydro was about 35% above the medium, and remains so after the adjustments, yet Toronto Hydro has not established a program to reduce its unit cost of replacing pole-top transformers.

The structure of the peer group, the level of detail of the analysis, the wide variety of local "difficulty" factors, the fact that the unit costs are not specifically linked to performance outputs, and the fact that the results are described as "directional only" by UMS, lead BOMA to suggest that the Board place little weight on the UMS study in deciding whether rate increases are appropriate.

Energy Storage Systems

BOMA does not think the question of whether customer specific energy storage systems is a distribution service is an issue in the current proceeding. While some parties, including Board staff, have addressed this issue, BOMA is of the view that the issue should be considered more carefully, in the ongoing DER consultation, or some other generic proceeding. In the meantime, in the event Toronto Hydro wishes to jointly pursue a customer specific energy storage system, any distributor owned custom specific energy storage system must not be part of the rate-regulated distribution assets, and be accounted for separately.

Customer Engagement

The company states that:

> *"A majority of customers in all customer classes supported the plan or an accelerated version of it, including the associated price increase."* (Exhibit 1B, Tab 1, Schedule 1, p9)

Ms. Stein went further in her testimony, stating that the telephone survey results indicated that the plan received 71% residential, 56% small business, and 73% mid-market customer support (Tr.7, p51).

BOMA does not believe these statements represent a fair, balanced, and reasonable summary of Innovative's survey results (in this context, "survey" is meant to encompass all aspects and modes of Innovative's engagement with Toronto Hydro's various customer groups), in part given the fact that ratepayers repeatedly and unequivocally stated that price was their major concern with the company's proposal. BOMA notes that Innovative's and Hydro One's overly optimistic interpretation of the survey results led Toronto Hydro to make only *"modest refinements to its*

plan" (Exhibit 1B, Tab 3, Schedule 1, p6), as a result of the customer engagement. The submissions that follow are offered in support of BOMA's position.

First, the company's prefiled evidence is clear on the subject of price being the ratepayers' primary concern.

In the Technical Conference, BOMA asked Mr. Lyle, the president of Innovative, the following question:

> *"...if I were to say to you, well, look I think what you are saying here is that safety, reliability, and price are all important but the customers have told us that price is the most important of those, would you concur with that?"*

Mr. Lyle replied *"yes"* (TC.V4, p12).

Moreover, Innovative's Summary Report, entitled Customer Engagement, 2020 CIR Application (Exhibit 1B, Tab 3, Schedule 1, Appendix A, "Summary Report"), states at p3 that:

> *"Customers consistently, across rate classes value price and reliability above other priorities, with price constantly at the top priority for non-large use customers."* (our emphasis)

In its Table, Summary of Customer Priorities, on p5 of its Summary Report, Innovative shows that price is the first priority for residential, GS<50 kW, and mid-market businesses and institutional customers (our emphasis).

At p8 of the Summary Report, Innovative states:

> *"Customers* [low volume, in the survey, residential and small business] *were then asked [after listing their various needs and preferences through focus groups] to rank outcomes in order to help THESL understand which of the most important outcomes to give priority to when those outcomes conflict. Delivering reasonable electricity price clearly emerges as the top priority valued by low-volume customers, followed by reliability, and then safety."*

Price ranks ahead of either reliability or safety.

In Phase II, through the use of an online portal and telephone surveys, Innovative determined and confirmed that residential, small business, and mid-market customers confirmed their opinions provided in Phase I to the focus groups that price was the most important factor (Summary Report, p14, Table at bottom of the page).

After determining the customers' focus on price, Innovative moves on to more detailed questions. At p15 of the Summary Report, just under the Table, Innovative states:

> *"Before exploring individual programs and their potential customer benefits and outcomes, customers were asked to respond to Toronto Hydro's general approach.*
>
> *In the telephone surveys, customers received the preamble below, which had customized rate impacts based on rate class. The following reflects the residential rate class preamble.*
>
> *"Based, in part, on the initial customer input, Toronto Hydro has drafted a plan totaling approximately*
> *$4.3B over five years.*
>
> *Toronto Hydro's proposed plan focuses on delivering current levels of reliability and customer service for most customers and targeted improvements for customers experiencing below average service or who have special reliability needs, like hospitals.*
>
> *This proposed plan translates into an average 3.4% increase in your* [residential] *distribution rates each year from 2020 to 2024. The distribution charges on the monthly bill would increase to $49 by 2024 for a typical residential customer."*
>
> Innovative then asked the following question, in the table below, which elicited the response shown in the table.

Approach to Planning for the Next Five Years	Telephone Surveys		
	Residential	Small Business	Mid-Market
Do you feel that this is definitely the right approach, probably the right approach, probably the wrong approach or definitely the wrong approach to Toronto Hydro's planning for the next five years or would you say you don't know?			
Right Approach	**37%**	**28%**	**31%**
Wrong Approach	44%	46%	37%
Don't know	19%	26%	32%

The question in the table, directly above, is difficult to read, so it is reproduced below:

> *"Do you feel that this is definitely the right approach, probably the right approach, probably the wrong approach or definitely the wrong approach to Toronto Hydro's planning for the next five years or would you say you don't know?"*

The answer to this question is clear. For each customer class, residential, small business, and mid-market, a majority of customers that offered an opinion stated that Toronto Hydro's plan for the next five years, which was described above, was the wrong approach (our emphasis).

The results were as set out in the Table, above. While 44% of residential customers said Toronto Hydro's approach was wrong, only 37% said it was right; while 46% of small business respondents said "wrong approach", only 28% said "right approach"; while 37% of the mid-market customers said "wrong approach", only 31% said "right approach".

This result is inconsistent with the statements made by Toronto Hydro and Innovative in their evidence, and cited above.

However, having obtained those results, Innovative did not ask further questions to determine the reasons for those results.

The unbalanced and overly positive interpretation of the results by Innovative and Toronto Hydro can also be seen by careful examination of the results in the Tables on pp18-19 of the Summary Report (pp39-40 of this Submission).

The Table at the top of p39 (below) reports on the results of questions to various customer classes on their assessment of Toronto Hydro's proposed plan. Customers were given three statements and were asked to identify which of the three best represented their views. The three statements were:

Improve Service
Toronto Hydro should improve service, as discussed on the previous pages, even if that means an annual increase that exceeds [Residential: 3.4%; Small Business: 4.4%, Mid-Market: 3.9%]

Stick with Proposed Plan
Toronto Hydro should stick with a [Residential: 3.4%; Small Business: 4.4%, Mid-Market: 3.9%] annual increase to deliver current levels of reliability and customer service for most customers and targeted improvement for customers experiencing below average service or who have special reliability needs.

Scale Back Proposed Plan
Toronto Hydro should keep increases below [Residential: 3.4%; Small Business: 4.4%, Mid-Market: 3.9%] annually, even if that could mean reductions in service.

Other

Don't know

BOMA notes here that Toronto Hydro did not consider offering a full range of custom IR plans. For example, they did not investigate a plan that would keep rates at their current level, nor any option(s) that would reduce rates over the plan term, with a modest decrease in reliability, even though customers made it clear that stable or reduced prices were a higher priority than maintenance of reliability.

The summary table is shown immediately below, together with more detailed tables for each customer segment.

	Online Feedback Portal		Telephone Surveys		
	Residential	Small Business	Residential	Small Business	Mid-Market
Improve Service *Toronto Hydro should improve service, as discussed in the previous pages, even if that means an annual increase that exceeds [Residential: 3.4%; Small Business: 4.4%; Mid-Market: 3.9%]*	26%	22%	23%	18%	18%
	63%	52%	71%	55%	73%
Stick with Proposed Plan *Toronto Hydro should stick with a [Residential: 3.4%; Small Business: 4.4%; Mid-Market: 3.9%] annual increase to deliver current levels of reliability and customer service for most customers and targeted improvement for customers experiencing below average service or who have special reliability needs.*	37%	30%	48%	37%	55%
Scale Back Proposed Plan *Toronto Hydro should keep increases below [Residential: 3.4%; Small Business: 4.4%; Mid-Market: 3.9%] annually, even if that could mean reductions in service.*	21%	27%	24%	34%	23%
Other	6%	6%	2%	3%	2%
Don't know	10%	15%	3%	7%	2%

Opinion of Toronto Hydro's Proposed Plan Residential Customers	*The cost of my electricity bill has a major impact on my finances and requires I do without some other important priorities.*			*Total*
	Sig. Impact [n=139]	Impact [n=143]	No Impact [n=303]	
Improve services, increase above 3.4%	10%	14%	31%	23%
	50%	70%	81%	
Stick with current plan at 3.4%	40%	56%	50%	48%
Keep increases below 3.4%	42%	24%	15%	24%

Opinion of Toronto Hydro's Proposed Plan Small Business Customers	*The cost of my electricity bill has a major impact on the bottom line of my organization and results in some important spending priorities and investments being delayed.*			*Total*
	Sig. Impact [n=61]	Impact [n=59]	No Impact [n=64]	
Improve services, increase above 4.4%	13%	20%	23%	18%
	40%	67%	62%	
Stick with current plan at 4.4%	27%	47%	40%	37%
Keep increases below 4.4%	47%	31%	27%	34%

Opinion of Toronto Hydro's Proposed Plan Mid-Market Business Customers	*The cost of my electricity bill has a major impact on the bottom line of my organization and results in some important spending priorities and investments being delayed.*			*Total*
	Sig. Impact [n=84]	Impact [n=71]	No Impact [n=38]	
Improve services, increase above 3.9%	12%	18%	33%	**18%**
	62%	79%	89%	
Stick with current plan at 3.9%	49%	61%	56%	**55%**
Keep increases below 3.9%	32%	19%	11%	**23%**

In the summary table at the top of p39, 37% of residential customers surveyed via the online portal said Toronto Hydro should stick with its proposed plan (with its projected 3.4% annual increase in the base delivery rates), 26% said Toronto Hydro should improve service, even if that meant an annual rate increase above 3.4%, while 21% stated that the rate increase should be kept below 3.4%, even if it could mean reductions in customer service. Innovative highlighted that 63% (26% + 37%) that favoured the plan or an acceleration thereof, but did not highlight that 58% (37% + 21%) of customers supported the plan or wished it to be revised to lower the proposed rate increase. The results were very close.

The same summary table shows that only 30% of small business customers support the plan as is, and only 22% support an accelerated plan, while 27% of customers say the plan, which proposes a 4.4% annual rate increase for small business customers, is too rich and should be cut back. Innovative shows the same bias in its reporting of these small business results, highlighting that 52% of small business respondents accept the plan and the accelerated version thereof, while not highlighting the fact that 57% of respondents, a larger number, think that the plan should be supported as is, or reduced so as to result in lower rate increases. However, the only figure Innovative stressed in the summary is the 52%.

In the summary table at the top of p39, the same bias is shown in reporting and highlighting the results of the telephone survey, which also include the mid-market customers. For each of the customer groups, the only numbers highlighted were the sum of those that accepted the plan as is, or an accelerated plan, 71%, 55%, and 53% of residential, small business, and mid-market customers, respectively, while ignoring the fact that 72%, 71%, and 75% of the residential, small business, and mid-market customers, respectively, larger numbers either supported the plan as is or wanted it rolled back, so as to reduce rate impacts.

In each case, the latter numbers were larger than the numbers which were highlighted in the summary. BOMA concludes that the summary statements by the company in this proceeding are incomplete, unbalanced, and do not present a truly accurate picture of the customers' needs and preferences. They are an effort to spin the results to favour the company. The effect is to mislead the Board about the extent to which the proposed plan reflects customer needs and preferences.

The same conclusion can be drawn from the other tables on pp39-40, which report the results for the individual customer groups (including vulnerable customers).

The second table on p39, which deals with vulnerable customers, shows, of that portion of vulnerable customers who stated that their electricity bills have a major impact on their finances, only 40% (not a majority) supported the existing plan and 10% an accelerated version, for a total of 50% (not a majority), while 82% of respondents supported the plan (40%) or wanted it rolled back to reduce the proposed rate increase (42%) (our emphasis). BOMA also questions why over one half of the vulnerable ratepayer total group surveyed said that electricity costs had little or no impact on their finances. This statement is counter-intuitive. The company and Innovative

defined vulnerable consumers to be recipients of various forms of government assistance programs. BOMA believes that the surprising statement noted above is due to the fact that, as Innovative noted, people on government assistance do not want to admit they are having trouble paying their bills, in order to preserve their dignity in difficult circumstances. As in reporting on the summary table, the Summary Report highlighted only the 50% positive result for highly impacted, vulnerable customers, while the much larger 82% negative result was not highlighted.

The third table at the bottom of p39 deals with small business customers, who would face a 4.4% average annual delivery rate increase from 2020 to 2024. That table shows that only 40% of small business customers for whom electricity costs have a major impact on the bottom line support the plan (27%) or an accelerated version (13%), while 74% of that group either want the plan rolled back to reduce the 4.4% rate increase (47%) or supported the plan (27%). A larger number of significantly impacted small business respondents wanted the plan rolled back (47%) than supported the plan (40%) (our emphasis). However, Innovative only emphasized the 40% in favour, and did not highlighted in the table, 74% either supporting the existing plan, or a reduced plan with lower rate increases. For the total small business group of respondents (significant impact, impact, no impact), only 37% of the respondents accepted the plan, while 34% wanted it reduced to produce a lower rate increase. Only the positive result was highlighted in the Summary Report.

The table on p40 shows that of those mid-market customers significantly impacted by electricity prices, 62% of respondents either supported the plan (49%) or an accelerated plan (12%), while 81% of respondents either supported the plan (49%), or wanted it reduced (32%) to reduce the proposed 3.9% annual rate increase over the 2020-2024 period (our emphasis). Needless to say,

Innovative highlighted the 62% number, and did not highlight the 81% number, a selective and unbalanced interpretation of the results.

On p18 of Appendix 2.2 of the Summary Report, Innovative presents the results of the telephone survey of residential customers. The questioner recited the same preamble shown at p36 above, and then put the following question to the respondent:

> *"Do you feel that this is definitely the right approach, probably the right approach, probably the wrong approach, or certainly the wrong approach, or definitely the wrong approach to Toronto Hydro's planning for the next five years?"*

37% of residential respondents said it was the right approach, while 44% of respondents said it was the wrong approach. Given the customer focus on the price of delivery service, BOMA infers that the respondents thought it was the wrong approach because it resulted in a rate increase that was too high.

After the same preamble, the question asked to the residential respondents (see above), was put to the small business respondents. Only 28% of respondents said Toronto Hydro had the right approach, while 46% said Toronto Hydro's approach was wrong. Similar results were set out in Appendix 2.4, pp18-19, for mid-market respondents.

As with the online portal, Innovative did not follow up these answers in the telephone survey, probably because they had not inserted such a question in the telephone survey book because they did not anticipate these strongly negative replies.

During the Hearing, Innovative tried to muddy the waters on the issue of whether price was the primary concern of ratepayers by suggesting that price and reliability were both priorities. The

attempt was unsuccessful, as it contradicted previous statements in both the prefiled evidence and the Technical Conference (see above).

Appendix 2.1 of the Report, the Customer Feedback Portal Report (the "Portal") was mainly utilized by the residential customers. While 10,165 residential customers filled out the online portal; only 181 small business customers did so.

When asked whether there is "anything" in particular that Toronto Hydro can do to improve its services, 40% answered either "reduce the price", or "reduce/remove delivery rates" (p11). The next highest response was "improve reliability" at 6% (p11). At p16 of the Portal, 49% of respondents cited price as their most important priority, while 19% cited reliability as their first priority, and 14% cited safety as their first priority.

When asked what Toronto Hydro could do to improve service to its customers, the largest group by far, suggested that Toronto Hydro lower its rates. The Summary Report stated at p13:

> *"A strong majority of Toronto Hydro customers are both familiar with the utility and satisfied with the services they receive. When asked if there is anything in particular that Toronto Hydro could do to improve services, customers* [in all rate classes] *respond with either "nothing" or "reduce the price...".*

BOMA also has concerns with the structure of the online portal questionnaire, and some of the questions. The Board should give little weight to the question and answer on p21. The question and answer at p21 speaks about "competing trade-offs in infrastructure investment". The question is confusing. It is not clear what infrastructure is being referred to, what "competing trade-offs" means, and generally, what the respondent is asked to opine about. How can the customer opine on "trade-offs" that are not specified? Furthermore, there is no mention of the rate increases required by the "infrastructure" in question, nor to the likely impact on reliability.

The question about "meeting the basics" (p29) is not useful as it does not show the impact on rates of the proposed investments. In addition, the first option is drafted such that the only response solicited is "yes", and the question is not specific enough.

Moreover, the additional comments solicited were largely to the effect (39% of respondents) that Toronto Hydro needs better management, needs to reduce waste, cut salaries, and find another way to get the money, without increasing customer rates (p30).

The question on reliability is also unhelpful, as it does not lay out the cost of that aspect of the plan.

The preamble on p21 is unbalanced and unfair as it does not deal with the costs of the first option or second option, or the extent to which the frequency and length of outages would increase more than under the proposed rate increase (not specified) were reduced (the third option). In other words, the integrity of the initiative. As in the previous question, supplementary comments focused on increasing efficiency. At least 44% of the responses dealt with efficiency and cost-effectiveness (p34).

The question dealing with rear lot conversion does not specify how much the proposed expenditures on the program contribute to the 3.4% rate increase (p36). Only 56% of small business respondents agreed to pay the existing price (contract specified) or an accelerated price (p36).

2.2 *Customer Scorecard – Is Toronto Hydro's proposed customer scorecard appropriate?*

In the RRFE, the Board stated that:

> *"The achievement of the performance outcomes will be supported by specific measures and targets and annual reporting. Distributor performance will be compared year over year, both to prior performance and to the performance of other distributors. To facilitate performance monitoring and distributor benchmarking, the Board will use a scorecard approach to link directly to the performance outcomes. "* (p55)

The Board established four performance outcomes: customer focus, operational effectiveness, financial performance, and public policy responsiveness.

The Board defines Operational Effectiveness as:

> *"continuous improvement in productivity and cost performance is achieved; and utilities deliver on system reliability and quality objectives".* (RRFE, p57)

However, Toronto Hydro has developed six outcomes, which it lists in a diagram on p6 of Exhibit 1B, Tab 2, Schedule 1, p5. The diagram attempts to reconcile Toronto Hydro's six outcomes with the RRFE's outcomes, but it is only partially successful. Under Operational Effectiveness, Toronto Hydro lists two of its six outcomes, "Reliability and Safety". While important, these outcomes do not capture a large part of what the RRFE defines as Operational Effectiveness, which deals with cost control, productivity and continuous improvement. This outcome should remain a separate planned outcome for increased productivity and better cost management, including increasing capex and OM&A efficiencies, and "doing more with less", to which could be added, safety and reliability. The absence of a specific Toronto Hydro output of this nature may be one reason Toronto Hydro is having such difficulty in demonstrating productivity improvements, with measurable results, and reflecting customers' concerns about the price of distribution services.

Moreover, the custom scorecard measures ("measure(s)"), included in the application, lack specific quantitative targets (Exhibit 1B, Tab 2, Schedule 1, p7).

Under Customer Focus, one measure is customers' e-bills. The "target" is "improve". "Improve" is not an acceptable target. Toronto Hydro needs to provide the current number of customers on e-bill, and the proposed increase in e-bill customers for each year of the 2020-2024 plan, and the savings generated each year from the use of e-bills relative to continued use of paper bills. Doing so would be consistent with the Board's recent observations on Hydro One's customer scorecard measures in EB-2014-0049, March 19, 2019.

There are three measures listed under Toronto Hydro's output "safety". Two of them are Box Construction Conversion, and Underground Network Units Conversion. The "target" is "improve". Improve is not a safety target. Moreover, Toronto Hydro does not relate the proposed capital expenditures on box construction conversion and network underground units with improvements to specific safety data, as well as related maintenance cost savings.

Under System Reliability Outcomes, the target is to maintain current reliability. However, the proposed expenditure on rear lot conversion and vegetation management should generate quantitative reliability improvements for both SAIFI and SAIDI. Similarly, there should be quantitative targets for the proposed increase in reliability for FESI 7 system and FESI 6 customers, rather than just "improve", which is not a target.

With respect to asset management custom performance measures, "monitors" the wood poles condition, and "improve" direct-buried cable replacement costs, are not targets. The company should propose quantitative targets for decreases in outages, reduction in direct-buried cable replacement costs, and reduction in corrective and reactive maintenance as a result of both these initiatives.

For the Cost Control category, the two measures are average wood pole replacement cost, and vegetation management cost per km.

In each case, the "target" is monitor. Toronto Hydro should have quantitative targets for each of the measures, for each year of the five year plan, so that savings from current replacement costs and vegetation management costs can be clearly demonstrated, as required by the Board in EB-2017-0049. Nor did Toronto Hydro appear to be aware of Hydro One's recent adoption of best practices in vegetation control.

What is also missing is a performance measure to improve Toronto Hydro's third quartile in pole top transformer replacement costs. Toronto Hydro should have moved to remedy this situation and should be directed to do so in this proceeding.

3.3 Is the proposed treatment of renewable enabling improvement investments appropriate?

BOMA accepts, as appropriate, Toronto Hydro's treatment of renewable energy enabling improvement investments, including renewable enabling ESS projects.

4.1 Is Toronto Hydro's 2020-2024 load forecast reasonable?

BOMA believes that Toronto Hydro's load forecast is reasonable.

4.2 Are Toronto Hydro's 2020 other revenue and shared services forecasts reasonable?

Toronto Hydro has forecast zero revenue for utility property sales in the test year, notwithstanding the fact that there have been significant gains from the sale of utility assets and property in every year of the current 2015-2019 IRM term. BOMA agrees with Board staff's proposal to increase the 2020 other revenue forecast by $1.78 million, the average of gains on disposition of assets over the 2015-2019 term.

5.1 Is the level of proposed 2020 OM&A expenditures appropriate and is the rationale for planning choices appropriate and adequately explained?

Toronto Hydro's proposed 2020 OM&A budget is $278.2 million, an increase of $34.3 million, or 14.1% above its proposed 2015 OM&A expenditures of $243.9 million, and an increase of $9.9 million above its 2018 OM&A expenditures of $268.3 million, or 3.7% (Exhibit U, Tab 51, Appendix A). BOMA is of the view that Toronto Hydro's 2020 OM&A budget should be held to approximately the same level as its 2018 actual OM&A expenditure of $268.3 million. BOMA notes that Board staff proposed reductions from Toronto Hydro's proposed 2020 OM&A budget of approximately $9.4 million, in the following areas: customer care program, $3.7 million (bad debt expense and external bad debt management costs, asset management program ($1.2 million reduction for Toronto Hydro write-off of CWIP costs, which the company proposes to collect from ratepayers), legal and regulatory costs of $0.3 million per year, a $2.5 million IT reduction which reflects the original forecast cost savings from the ERP project, and a staffing and compensation reduction of $1.7 million to reflect the most recent FTE information.

BOMA notes that, for context, on an OM&A program basis, the 2020 customer care program at $49.4 million, and the 2020 Information Technology program at $44.0 million, in 2020, are by far the largest OM&A programs, accounting for approximately $93 million, or approximately one-third of the proposed 2020 OM&A budget of $278.2 million (Exhibit U, Tab 4A, Schedule 1, pp1-2).

BOMA finds the Board staff's analysis supporting its proposed reductions compelling, and is prepared to support their specific recommendation for reductions to the OM&A programs. BOMA would also support reductions in other programs, adding up to the same total reduction,

provided Toronto Hydro is able to explain in their Reply, with analysis equivalent in quality to that performed by Board staff, why their substitutes were preferable.

5.2 Are Toronto Hydro's proposed depreciation expenses (including decommissioning provision and derecognition) for 2020-2024 appropriate?

The proposed updated depreciation and derecognition expenses are found at J8.5. BOMA accepts Toronto Hydro's proposed depreciation, including derecognition amounts, nothing that both may change, if its proposed reduction in capital expenditures, due to a lower capital factor, are accepted. BOMA also is of the view that the existing derecognition amount not be operational after December 31, 2019, and that it be closed at the first opportunity after that date.

5.3 Are Toronto Hydro's proposed PILs and other tax amounts for 2020-2024 appropriate?

Toronto Hydro's updated proposed PILs amounts are found in Undertaking J8.5.

Toronto Hydro also seeks to recover a $5.5 million forecast 2020 property tax of $5.5 million. BOMA supports the property tax proposal. The PILs amounts shown in J8.5 includes the impacts of the accelerated capital cost provision and relaxation of the half year rule, contained in Bill 97, given royal assent on June 21, 2019.

The Board's July 25, 2019 Accounting Direction Regarding Bill C-97 and Other Changes in Regulatory or Legislated Tax Rules for Capital Cost Allowance directed utilities to establish a separate subaccount of Account 1592, PILs and Tax Variance Account to record that impacts of the CCA rule change for the period November 1, 2018 until the next cost-based rate order.

BOMA supports the establishment of the new sub-account rather than the use of the CRRRVA account, or any other existing account, for this purpose. A separate sub-account will provide more clarity and transparency, and lessen the opportunities for confusion in later years.

Moreover, BOMA has proposed elsewhere in this submission that the CRRRVA be modified to make it truly an asymmetrical account for underspends only, rather than the current tracking account.

6.1 Are Toronto Hydro's proposed 2020-2024 cost of capital amounts (interest on debt and return on equity) appropriate?

BOMA supports Toronto Hydro's approach to forecasting its cost of capital for 2020, including its proposed capital structure, its return on equity, and its interest rates on long and short term debt.

7.1 Are Toronto Hydro's cost allocation and revenue-to-cost ratio proposals appropriate?

Toronto Hydro updated its cost allocation for 2020 in Exhibit U, Tab 7, Schedule 1. BOMA accepts Toronto Hydro's proposed changes, including in some cases, no change to its revenue/cost ratios for each rate class.

7.2 Are Toronto Hydro's proposals for rate design (including, but not limited to, fixed / variable split, loss factors, retail transmission service rates, specific and other service charges) appropriate?

BOMA takes no issue with Toronto Hydro's proposed rate design changes.

7.3 Is Toronto Hydro's approach to cost responsibility for customer service charges under its conditions of service appropriate?

BOMA agrees with Toronto Hydro's current proposal to continue to provide free fire vault access once each year, and suggests that this policy should remain in place until at least the next rebasing year.

8.1 Have the impacts of any changes in accounting standards, policies, estimates and adjustments been properly identified and recorded, and is the rate treatment of each of these impacts appropriate?

BOMA is of the view that the impacts on standards, effective January 1, 2018, as required by the International Accounting Standards Board, namely IFRS Financial Instrument (IFRS 9), IFRS

Revenue from Contract with Customers (IFRS 15), and IFRS Lease (IFRS 16) (Exhibit C, Tab 3, Schedule 1, pp1-3) have been identified and recorded and the rate treatment for each of these impacts is appropriate.

8.2 Are Toronto Hydro's proposals for the disposition of balances in existing deferral and variance accounts and other amounts appropriate?

(a) Disposition of balances in existing deferral and variance accounts:

Toronto Hydro proposes to dispose of audited December 31, 2018 Groups 1 and 2 DVA balances.

BOMA agrees that Toronto Hydro should dispose of its Group 1 DVA audited balances, an $8.2 million credit to ratepayers, over a one year period, on an interim basis in this proceeding. BOMA accepts Toronto Hydro's proposal to defer its 2018 LRAM/VA final clearance to Toronto Hydro's 2021 Custom Update application, on the assumption that the Board agrees with Board staff's view that the 2021 custom update application will not be a mechanistic custom IR application.

(b) Group 2 DVA December 2018 balances are set out in Board staff's submission, p134.

BOMA accepts Toronto Hydro's proposal for disposition of December 31, 2018 balances, except for the US GAAP Deferral Account and for 2019 forecast Projected Principal Activity.

The US GAAP DVA evidence filed in the April update is that the balance in the US GAAP DVA has declined from $86.3 million, the amount determined on December 31, 2018 by the 2018 audit to $48.1 million, a decline of $37.2 million. Given the volatility, BOMA believes that there is enough cause to think that this account will roughly balance debits versus credits over

time, and that, therefore, the disposition of the balance at this time would not be consistent with the Board's stated policy, set out at p13 of the Board's Report on the Regulatory Treatment of Pension and OPEB costs, September 14, 2017, that:

> *"Utilities may propose disposition of the account in future cost based rate proceedings [i.e. a rebasing like this proceeding], if the gains and losses that are tracked in this account do not substantially offset over time." (our emphasis)*

BOMA notes that the decision on when and how to dispose of balances in this account is solely within the discretion of the regulator, who must decide which disposition and collection/payment strategy is in the public interest.

(c) Proposed Forecast 2019 principal Activity in Group 2 DVA.

Toronto Hydro is proposing to dispose of $64.6 million of unaudited projected 2019 credit balances to ratepayers over a five year period, as part of this proceeding. The Board's policy, as outlined in Chapter 2 Filing Requirements for Cost of Service, July 12, 2018, p64, is to allow disposition of only audited DVA balances. The 2019 DVA balances will be audited in 2020.

BOMA proposes that the 2019 balances be disposed of, as would be the case in the normal course, in the 2021 custom IR update. Disposition in the 2021 update will tend to stabilize rates over the term, and not exacerbate the large rider-driven decrease in 2020 rates followed by smaller increases in 2021, et seq, which stabilization is helpful to BOMA members who have problems billing tenants for fluctuating rates in long term leases. The evidence for the stabilization proposition is found at Board staff Submission, p136, Footnote 557.

Other Accounts

Toronto Hydro proposes, and requests, approval to refund to ratepayers certain amounts, for which Toronto Hydro does not have DVA accounts to capture the balances. BOMA agrees with the company's proposals.

8.3 Are Toronto Hydro's proposals for the establishment of new accounts, closing of existing accounts or continuation of existing accounts appropriate?

BOMA refers the Board to its proposals, at *pp15-17* of this Submission to amend the terms of both the CRRRVA and Third Party Directive DVAs.

All of which is respectfully submitted.

APPENDIX A

1B-SEC-13: "Table 1 below provides summary for 2015-2024 base distribution bill changes for all rate classes."

Table 1: 2015-2024 Base Distribution Bill Changes[1]

	Change in bill	2015	2016	2017	2018	2019 Expected	2020 Proposed	2021 Proposed	2022 Proposed	2023 Proposed	2024 Proposed
Residential	$/30 days	0.00	6.72	2.15	1.57	1.00	0.54	1.37	1.07	1.89	1.83
	%	0.0	22.3	5.8	4.0	2.5	1.3	3.3	2.5	4.2	3.9
Competitive Sector Multi-Unit Residential	$/30 days	0.00	2.50	2.18	1.80	1.41	0.31	1.09	0.85	1.50	1.45
	%	0.0	9.9	7.9	6.0	4.5	0.9	3.3	2.5	4.2	3.9
General Service <50 kW	$/30 days	0.00	16.17	6.31	5.05	3.79	3.67	3.45	2.68	4.74	4.59
	%	0.0	22.9	7.3	5.4	3.9	3.6	3.3	2.5	4.2	3.9
General Service 50-999 kW	$/30 days	0.00	244.61	103.32	82.75	61.95	54.49	56.26	43.85	77.42	74.80
	%	0.0	20.8	7.3	5.4	3.8	3.3	3.3	2.5	4.2	3.9
General Service 1,000-4,999 kW	$/30 days	0.00	1,905.01	848.57	679.46	508.84	436.73	461.65	359.69	635.38	613.95
	%	0.0	19.5	7.3	5.4	3.8	3.2	3.3	2.5	4.2	3.9
Large Use	$/30 days	0.00	10,150.84	4,367.47	3,497.29	2,618.83	2,445.01	2,383.03	1,856.68	3,278.51	3,167.49
	%	0.0	20.3	7.3	5.4	3.8	3.5	3.3	2.5	4.2	3.9
Street Lighting	$/30 days	0.00	0.24	0.46	0.37	0.28	0.25	0.25	0.19	0.34	0.33
	%	0.0	3.8	7.3	5.4	3.9	3.3	3.2	2.4	4.2	3.9
Unmetered Scattered Load	$/30 days	0.00	5.36	2.07	1.66	1.24	1.16	1.13	0.88	1.55	1.50
	%	0.0	23.2	7.3	5.4	3.8	3.5	3.3	2.5	4.2	3.9

Note 1: excludes ICM rate riders.

APPENDIX B
(PSE Study)

Table 1 Toronto Hydro's Cost Performance 2005-2024

Year	Toronto Hydro Actual Costs ('000, C$)	Toronto Hydro Benchmark Costs ('000, C$)	% Difference (Logarithmic)
2005	$ 436,128	$ 641,275	-38.6%
2006	$ 450,686	$ 681,212	-41.3%
2007	$ 502,433	$ 744,486	-39.3%
2008	$ 556,429	$ 813,528	-38.0%
2009	$ 595,932	$ 852,775	-35.8%
2010	$ 647,456	$ 882,130	-30.9%
2011	$ 710,544	$ 912,729	-25.0%
2012	$ 691,388	$ 910,814	-27.6%
2013	$ 727,152	$ 925,488	-24.1%
2014	$ 777,414	$ 976,095	-22.8%
2015	$ 826,886	$ 1,024,030	-21.4%
2016	$ 861,394	$ 1,034,492	-18.3%
2017	$ 904,560	$ 1,061,642	-16.0%
2018 (projected)	$ 964,885	$ 1,095,430	-12.7%
2019 (projected)	$ 999,492	$ 1,122,407	-11.6%
2020 (projected)	$ 1,044,567	$ 1,148,601	-9.5%
2021 (projected)	$ 1,085,324	$ 1,174,549	-7.9%
2022 (projected)	$ 1,134,689	$ 1,201,662	-5.7%
2023 (projected)	$ 1,180,820	$ 1,229,463	-4.0%
2024 (projected)	$ 1,225,282	$ 1,257,907	-2.6%
Average % Difference			
2015-2017			**-18.6%**
2020-2024			**-6.0%**

APPENDIX C
(PEG Study)

Table 10

Year by Year Total Cost Benchmarking Results

Year	Percent Difference[1]
2005	-30.3%
2006	-29.7%
2007	-25.3%
2008	-23.2%
2009	-21.2%
2010	-13.9%
2011	-6.2%
2012	-7.7%
2013	-2.8%
2014	-1.0%
2015	1.1%
2016	5.8%
2017	8.7%
2018	*12.5%*
2019	*13.7%*
2020	*16.5%*
2021	*18.4%*
2022	*20.9%*
2023	*22.8%*
2024	*24.5%*
Annual Averages	
2005-2017	-11.21%
2015-2017	5.2%
2020-2024	20.6%

[1] Formula for benchmark comparison is $\ln(Cost^{THESL}/Cost^{Bench})$.

Note: Italicized numbers are projections/proposals.

APPENDIX D
(Undertaking Response J9.3)

Year	Toronto Hydro Benchmarking Score with Congested Urban Variable Removed
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%