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BY EMAIL

January 25, 2024

Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Marconi:

**Re: Toronto Hydro-Electric System Limited (Toronto Hydro)
2025-2029 Custom Rate Application for Electricity Distribution Rates and
Charges
Ontario Energy Board File Number: EB-2023-0195**

In accordance with Procedural Order No. 1, Ontario Energy Board (OEB) staff advises the OEB that parties have come to an agreement regarding a proposed issues list for Toronto Hydro's 2025-2029 distribution rates application. The proposed issues list is attached to this letter.

Parties and OEB staff also discussed Toronto Hydro's proposal to finalize the performance targets in a second phase of the proceeding which would take place after the OEB issues its Decision and Order, adjacent to the Draft Rate Order process. Parties agree that depending on the OEB's decision, it may be appropriate to finalize performance targets as part of a Phase 2. However, parties would like to reserve the right to consider this as part of settlement or in argument if settlement is not achieved. For this reason, parties agree that Issues 2.2 and 2.3 should remain on the issues list as proposed.

Further, parties are requesting that the OEB waive the requirement under Rule 26.02(e)(ii) of the *Rules of Practice and Procedure* that the interrogatories correspond to the issues list. Parties are requesting that they may file interrogatories according to the exhibit numbers in the applications. Parties believe this approach is more efficient and likely less costly.

Finally, OEB staff advises that parties indicated that, given the current issues list was prepared prior to the interrogatory process, parties may wish to raise additional matters for inclusion on the Issues List after the responses to the interrogatories are received.

Any questions relating to this letter should be directed to Thomas Eminowicz at Thomas.Eminowicz@oeb.ca.

Thank you,

Thomas Eminowicz
Senior Advisor

c: All intervenors, Toronto Hydro, Charles Keizer, Arlen Sternberg

**Proposed Issues List
Toronto Hydro-Electric System Limited
EB-2023-0195**

1.0 General

- 1.1 Has Toronto Hydro responded appropriately to all relevant OEB directions from previous proceedings?
- 1.2 Is the proposed effective date of January 1, 2025 appropriate?
- 1.3 Are the rates and bill impacts resulting from Toronto Hydro's application appropriate?
- 1.4 Did Toronto Hydro appropriately consider customer needs and preferences in the formulation of its proposed spending?

2.0 Custom Incentive Rate-setting

- 2.1 Are all elements of Toronto Hydro's Custom Incentive Rate-setting proposal for the determination of rates appropriate (including the Performance Incentive Mechanism)?
- 2.2 Subject to Issue 2.3, is Toronto Hydro's proposed custom scorecard (i.e. the performance metrics) appropriate?
- 2.3 Is Toronto Hydro's approach to defer the finalization of performance targets to a Phase 2 appropriate?
- 2.4 Is the proposed Innovation Fund appropriate?

3.0 Rate Base and Capital Plan

- 3.1 Are the proposed 2025-2029 rate base amounts (including the working capital allowance amounts) reasonable?
- 3.2 Is the level of 2025-2029 capital expenditures and capital in-service additions arising from the Distribution System Plan appropriate?
- 3.3 Is the proposed treatment of renewable enabling improvement investments appropriate?

3.4 Are Toronto Hydro's proposed depreciation methodology and resulting expenses (including decommissioning provision and derecognition) for 2025-2029 appropriate?

3.5 Has Toronto Hydro appropriately considered measures to cost effectively reduce distribution losses in its planning processes and included such measures where appropriate?

4.0 Load and Other Revenue Forecast

4.1 Are Toronto Hydro's proposed load forecast methodologies and 2025-2029 resulting load forecast reasonable?

4.2 Are Toronto Hydro's 2025-2029 other revenue and shared services forecasts reasonable?

4.3 Is the proposed shared services cost allocation methodology and the quantum appropriate?

5.0 Operations, Maintenance and Administration (OM&A) Costs

5.1 Are the proposed 2025-2029 OM&A expenditures appropriate?

5.2 Are the compensation related costs (including, FTEs, wages, salaries, benefits, incentives, overtime, pension and OPEB costs) appropriate?

6.0 Revenue Requirement, Taxes, and Payments in Lieu of Taxes (PILs) Amounts

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

6.2 Is the proposed calculation of the Revenue Requirement appropriate?

6.3 Are Toronto Hydro's proposed PILs and other tax amounts for 2025-2029 appropriate?

7.0 Cost of Capital and Capital Structure

7.1 Are Toronto Hydro's proposed 2025-2029 cost of capital amounts (interest on debt and return on equity) and capital structure appropriate?

8.0 Cost Allocation

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

9.0 Rate Design

9.1 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, and rate mitigation proposals) appropriate?

10.0 Deferral and Variance Accounts

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

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