

EB-2023-0195
Toronto Hydro 2025 to 2029 Rates Application

Interrogatories of Environmental Defence
To Board Staff re PEG Report:
CIR 2.0 for Toronto Hydro-Electric System Limited

Interrogatory # M1-ED-1

Reference: Report, p. 52

Question(s):

- (a) Does PEG agree that Toronto Hydro has a strong incentive to increase capital spending and apply for a high capital budget because it earns a return on rate base?
- (b) Please discuss the challenges in making a utility indifferent between capital and O&M spending, such as distribution needs that can be met with traditional infrastructure (capital) or non-wires alternatives (O&M).
- (c) Please summarize how Toronto Hydro's proposals will or will not succeed in making it indifferent between capital and O&M solutions to distribution needs. Please provide detail.
- (d) Please comment on the pros and cons of adopting a totex / RIIO approach for Toronto Hydro, either in this proceeding or exploring it for the next rebasing period. Please include a discussion of the increasing availability of O&M solutions to distribution needs.
- (e) Do you believe Toronto Hydro should study and consider a totex /RIIO approach for the next rebasing application?

Interrogatory # M1-ED-2

Reference: Report, p. 87

Preamble:

An innovation fund seems warranted to encourage use of innovative or promising practices that Toronto Hydro might be disinclined to pursue for various reasons. Other parties should play a role in selecting these projects so that the innovation fund isn't just a source of extra revenue for projects that interest Toronto Hydro.

Question(s):

- (a) Does PEG have certain kinds of projects in mind that would be of interest to Toronto Hydro but of less interest to customers?

- (b) Does PEG believe certain kinds of projects would be the most beneficial to customers to explore?

Interrogatory # M1-ED-3

Reference: Report, p. 93

Preamble:

Revenue decoupling and high fixed charges both weaken utility incentives to promote beneficial electrification by denying them margins that could otherwise be gleaned between rate rebasings. Alternative means of incentivizing accommodation of beneficial electrification then merit consideration. The options include a PIM, management fees, or variance accounts for incremental costs of beneficial electrification.

Question(s):

- (a) Please provide a number of examples of the beneficial electrification that could be incentivized.
- (b) Please provide some examples of mechanisms that encourage beneficial electrification in other jurisdictions.

Interrogatory # M1-ED-4

Reference: Report, p. 94

Question(s):

- (a) PEG discusses the benefits of full revenue decoupling over decoupling that only applies to weather-normalized revenue variances. Does PEG agree that weather-related uncertainty and risk is relatively higher now due to climate change?
- (b) If full revenue decoupling was achieved for Toronto Hydro this would reduce Toronto Hydro's risk with respect to non-residential demand and customer growth. Please discuss possible some examples of changes to the ratemaking framework or ratemaking variables that could be implemented to the benefit of ratepayers to compensate for this risk reduction. In other words, what could customers reasonably get in return for agreeing to lower Toronto Hydro's risk through full revenue decoupling. Please discuss the magnitude of these compensatory benefits at a high level.

Interrogatory # M1-ED-5

Reference: Report

Question(s):

- (a) Please discuss incentive structures that can be put in place to ensure that the electricity infrastructure that Toronto Hydro will build over the rate period will be appropriately sized to ensure that it does not need to be prematurely replaced before the end of its physical lifetime due to demand increases arising from electrification?
- (b) Please comment on a requirement that Toronto Hydro track premature replacements arising from demand growth and justify its original equipment sizing decision. Please also comment on potentially appropriate consequences for premature replacements due to sizing decisions that were not prudent.

Interrogatory # M1-ED-6

Reference: Report

Question(s):

- (a) Please discuss incentive structures that can be put in place to ensure that Toronto Hydro will continue to be able to meet electricity demand of its customers without delay, including new connections and service upgrades related to electrification.