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**TECHNICAL CONFERENCE UNDERTAKING RESPONSES TO
 ONTARIO ENERGY BOARD STAFF**

UNDERTAKING NO. JT5.10:

Reference(s): Exhibit 9, Tab 2, Schedule 1 (Updated April 2, 2024)

With reference to the Continuity Schedule, Row 60, updated April 2, to explain the increase to the Externally Driven Capital Variance Accounts, and what changed since the original filings.

RESPONSE:

Table 1 below summarizes the Externally Driven Capital Variance Account 2023 and 2024 revenue requirement variances between the evidence presented on November 17, 2023 in Exhibit 9, Tab 1, Schedule 1, Table 7 and the updated evidence filed on April 2, 2024.

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Table 1: Externally Driven Capital Variance Account 2023 and 2024 Revenue Requirement Variance (\$ Millions)

Difference	2020	2021	2022	2023	2024	Total
Rate Base	-	-	-	(1.7)	(5.3)	N/A
Return on equity	-	-	-	0.1	(0.2)	(0.1)
Interest	-	-	-	0.0	(0.1)	(0.1)
Depreciation	-	-	-	3.3	1.9	5.3
PILs	-	-	-	1.0	0.7	1.7
Revenue Requirement	-	-	-	4.4	2.3	6.7
Carrying Charges	-	-	-	0.0	0.3	0.3
Total	-	-	-	4.4	2.6	7.0

1 The increase in the total balance is associated with higher amounts of derecognition than
2 forecast in 2023, which affects all components of the revenue requirement. Derecognition
3 expenses are overwhelmingly reactive, even in the near term, because there are practical
4 challenges in forecasting a precise and comprehensive view of all assets that will have to
5 be removed from the system, especially in the context of an externally-driven relocation
6 project. The initial forecast for the Externally Driven Capital Variance Account (“EDCVA”)
7 which was filed on November 17, 2023 was based on high-level assumptions derived from
8 historical capital expenditures and derecognition expenses, whereas the updated balances
9 filed on April 2, 2024 reflect actual derecognition impacts for 2023 based on major projects
10 completed in 2023 and updated forecasts based on the carry-over impact of the 2023
11 actuals. The projects include the Eglinton Crosstown LRT and Finch West LRT, which
12 involved the relocation of large volumes of assets to complete construction activities for
13 both light rail transit projects. Please see Toronto Hydro’s response to undertaking JT2.4
14 for additional information on derecognition triggered by Externally Initiated Plant
15 Relocation projects.

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