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October 3, 2025

Via RESS

Mr. Ritchie Murray
Acting Registrar
Ontario Energy Board
PO Box 2319
2300 Yonge Street, 27th floor
Toronto, ON M4P 1E4

Dear Mr. Murray:

**Re: Toronto Hydro-Electric System Limited ("Toronto Hydro")
Application to Finalize 2026 Electricity Distribution Rates and Charges
OEB File No. EB-2025-0006 – Interrogatory Responses**

Please find enclosed Toronto Hydro's responses to interrogatories received on September 19, 2025 from OEB Staff and the officer's certificate that the responses do not contain any personal information.

Respectfully,

A handwritten signature in blue ink that reads "Andrew J. Sasso".

Andrew J. Sasso
Director, Regulatory Affairs & Government Relations
Toronto Hydro-Electric System Limited

OFFICER'S CERTIFICATE – PERSONAL INFORMATION

As the Executive Vice President, Chief Strategy and Regulatory Officer of Toronto Hydro-Electric System Limited ("Toronto Hydro"), I hereby certify that Toronto Hydro's interrogatory responses filed in support of the 2026 Custom Incentive Rate-setting Update Application (EB-2025-0006) does not include any personal information unless it is filed in accordance with Rule 9A of the OEB's Rules and the Practice Direction to the best of my knowledge.

This certificate is given pursuant to Chapter 1 of the Ontario Energy Board's *Filing Requirements for Electricity Distribution Rate Applications* (revised April 18, 2022).

DATED this 3rd day of October, 2025.



Janene Taylor
Executive Vice President,
Chief Strategy and
Regulatory Officer

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 1

Reference(s): Toronto Hydro 2026 IRM Rate Generator Model, Tab 3
EB-2020-0036, Decision and Rate Order, p.7

Preamble:

In Cells BW28 and BW29 of Reference 1, the Rate Generator Model (RGM) has calculated a variance of \$1,877,063 between the 2024 balance and the reported RRR balance for Account 1588, and a variance of \$1,899,070 for Account 1589.

QUESTIONS (A) – (B):

- a) Please provide an explanation of the variances between the balances reported in the RGM and the RRR for Accounts 1588 and 1589.
- b) Please provide updated RGM, if necessary.

RESPONSES (A) – (B):

The variances represent principal adjustments related to the current year (2024) for Account 1588 - RSVA Power and Account 1589 - RSVA Global Adjustment as described in Note 9 under the "Current year principal adjustments" (Cells J62 and V62) in Tab "2024-Principal Adjustments" of the 2026 Commodity Accounts Analysis Workform provided in Tab 3, Schedule 2.

These variances were calculated in accordance with the OEB's *Instructions for Completing Commodity Accounts Analysis Workform (formerly "GA Analysis Workform") – 2026 Rates* under Section 9 at Page 8.¹

As a result, an update to the Rate Generator Model is not required.

¹ Available here: [Instructions for Completing Commodity Accounts Analysis Workform](#)

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 2

Reference(s): Toronto Hydro 2026 IRM Rate Generator Model, Tab 3

EB-2023-0054, Decision and Rate Order, December 14, 2023, pp.11-12

Preamble:

In Reference 1, a credit balance of \$108,235,308 (including a credit of \$7,241,393) is reported as the OEB approved disposition during 2024 in Account 1595 (2024). Also, a debit of \$16,892 is reported as the OEB approved interest disposition during 2024 in Account 1595 (2022).

However, in Reference 2, OEB staff notes that neither Account 1595 (2024) nor Account 1595 (2022) have been approved for disposition.

QUESTIONS (A) – (B):

a) Please explain why the disposition amount reported in Account 1595 (2022) differs from Reference 2.

b) Please confirm whether the credit balances reported in Cells BE36 and BJ36 of Reference 1 represent the transfer of the OEB approved disposition during 2024 into Account 1595 (2024).

i) If not, please explain what the balance consists of.

RESPONSES (A) – (B):

Cells BE36 and BJ36 in Tab 3 of the 2026 Rate Generator Model represent the transfer of the OEB approved disposition in 2024 into Account 1595 – RARA 2024.¹ These amounts represent balances approved for disposition in 2024 in accordance with the OEB's *Instructions for DVA Continuity Schedule – 2026 Rates*,² Tab 2a – Continuity Schedule for Group 1, Step #3 at Page 3 issued on May

¹ EB-2023-0054, Decision and Rate Order (December 14, 2023) at Pages 11-12

² Available here: [Instructions for DVA Continuity Schedule – 2026 Rates](#)

1 7, 2025. The debit of \$16,892 reported in Tab 3, cell BJ34 of the 2026 Rate Generator Model under
2 "*OEB approved interest disposition during 2024*" represents the actual disposition of the rate riders
3 in 2024 (rate rider revenue) applied to the approved interest.

4
5 Toronto Hydro has updated Tab 3 of the 2026 Rate Generator Model – provided as Appendix A to
6 this response – to reflect the actual disposition of rate riders in 2024 which has been applied to the
7 principal balance in cell BD34 in Account 1595 – RARA 2022 under "*Transactions Debit / (Credit)*
8 *during 2024*".

9
10 This change only relates to the presentation of Account 1595 – RARA 2022 balances and has no
11 impact on the total claim amount.

12
13 **QUESTION (C):**

14 c) Please confirm whether the credit amount of \$100,584,073 reported in Cell BD36 of
15 Reference 1 reflects the rate rider revenue collected during 2024.

16 i) If not, please explain what the balance consists of.

17
18 **RESPONSE (C):**

19 Confirmed.

20
21 **QUESTION (D):**

22 d) Please explain what the debit amount of \$2,681,697 reported in Cell BI36 consists of.

23
24 **RESPONSE (D):**

25 The debit amount of \$2,681,697 reported in cell BI36 consists of the carrying charges calculated on
26 the opening monthly net principal balance in Sub-account Principal Balances Approved in 2024.

1 The interest was calculated and reported in accordance with the instructions set out in the *OEB's*
2 *Accounting Procedures Handbook for Electricity Distributors (December 2011)*, Article 220 at Page
3 40.³

4

5 **QUESTION (E):**

6 e) Please provide updated RGM, if necessary.

7

8 **RESPONSE (E):**

9 Please refer to Appendix A to this response.

³ Available here: [Accounting Procedures Handbook](#)

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 3

Reference(s): Toronto Hydro 2026 IRM Rate Generator Model, Tab 3

Preamble:

In Reference 1, a credit balance of \$2,121,960 is reported as the principal adjustment during 2024 in Account 1595 (2022). Additionally, the offsetting debit is reported as the interest adjustment during 2024 in the same account.

QUESTION:

- a) Please explain and provide supporting evidence for the reported principal and interest adjustments in Account 1595 (2022)

RESPONSE:

The credit balance and the offsetting debit in interest adjustments represent the disposition of Account 1595 rate riders (rate rider revenue) in 2022 and 2023 applied to the approved interest amount after the expiry of approved principal balance in Account 1595 (2022).

Toronto Hydro has updated Tab 3 of the Rate Generator Model to reflect actual dispositions applied to the principal balance in Account 1595 (2022) in the updated schedule filed as Appendix A to 1-Staff-2. Accordingly, both the credit balance of \$2,121,960 as the principal adjustment in 2024 (cell BF34) and the offsetting debit in interest adjustments (cell BK34) have been removed. This change has no impact on the total claim amount.

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 4

Reference(s): Manager's Summary, p. 17 of pdf

EB-2023-0195, Partial Decision and Order, Settlement Proposal, November 12, 2024, pp. 46-47

EB-2024-0063, OEB Letter, July 26, 2024

EB-2024-0063, OEB Letter, October 31, 2024

EB-2024-0063, Decision and Order, March 27, 2025, pp. 92

Preamble:

On July 26, 2024, the OEB issued a Letter and Accounting Order establishing a variance account for the deemed short-term debt rate (DSTDR) related to the generic proceeding on cost of capital and other matters.

On October 31, 2024, the OEB issued a Letter and Accounting Orders establishing two variance accounts. One is the account regarding the return on equity (ROE) and the other is the account regarding deemed long-term debt rate (DLTDR), both related to the generic proceeding on cost of capital and other matters.

On March 27, 2025, the OEB issued its decision and order for the above-noted generic proceeding. The OEB addressed the variance accounts established by the above-noted Accounting Order and stated:

Utilities that implemented rates in 2025 using interim cost of capital parameters were granted variance accounts to record the difference between the revenue requirement at interim and final cost of capital parameters. The OEB will consider the disposition of these balances in both IRM and Custom IR update rate applications. The OEB will also consider applications to amend base rates to reflect any changes in revenue requirement for 2025,

1 *but only if there was no specific treatment previously approved by the OEB for the 2025 rate*
2 *application. This approach will allow the variance accounts for 2025 to be disposed and*
3 *closed.*

4
5 *Any adjustment to base rates should use only data from the final approved revenue*
6 *requirement calculation and billing determinants (no updated forecast).*

7
8 In Reference 1, Toronto Hydro stated that “In accordance with the 2025-2029 CIR Decision,
9 Toronto Hydro set the 2025 DSTDR based on the interim rate of 5.04% and will track the variance
10 between the interim rate and the final rate of 3.91% approved in the Cost of Capital Proceeding in
11 the Generic Account established by the OEB on July 26, 2024. Toronto Hydro intends to seek
12 disposition of this amount in its next rebasing application.”

13
14 In Reference 2, OEB has approved the settlement proposal on the Cost of Capital and Capital
15 Structure, where Toronto Hydro accepted that “for the 2026-2029 capital structure and cost of
16 capital parameters Toronto Hydro will implement whatever outcomes are decided by the OEB in
17 the Generic Cost of Capital Proceeding (EB-2024-0063), including what the OEB decides with
18 respect to implementation.”

19
20 **QUESTIONS (A) – (D):**

- 21 a) Please confirm whether Toronto Hydro is planning to dispose of and close the variance
22 accounts relating to the DSTDR, DLTDR, and ROE, as applicable, as part of its incentive rate-
23 setting (IR) mechanism application for 2026 rates / revenue requirement.
- 24 i) Please provide the 2024 actual and 2025 forecasted balances recorded in each of
25 these variance accounts.
- 26 b) If yes, please explain how the requirements of the OEB’s March 27, 2025 decision and
27 Accounting Orders have been addressed in the current application to dispose of these
28 variance account(s) and confirm the accuracy of the balances in such variance accounts.
- 29 c) If no, please explain when Toronto Hydro plans to dispose of these variance account(s).

1 d) If no, please explain how Toronto Hydro plans to mitigate generating significant balances in
2 the variance account(s) and minimize intergenerational equity.

3

4 **RESPONSES (A) – (D):**

5 Toronto Hydro's implementation of the cost of capital parameters is based on its implementation
6 of the:

- 7 • 2025-2029 Custom IR Decision by the OEB (EB-2023-0195),¹
8 • OEB cost of capital parameters update in Q4 2024,² and
9 • OEB Decision in the Generic Cost of Capital Proceeding (EB-2024-0063).³

10

11 *Return on Equity (ROE)*

12 In accordance with the OEB's 2025-2029 Custom IR Decision, Toronto Hydro's 2025 ROE was set on
13 a final basis at 9.25%, using the rate from the OEB cost of capital parameters update in Q4 2024.
14 This was implemented through the 2025 Final Rate Order.⁴

15

16 That 2025 rate is not subject to true-up; accordingly no ROE Variance Account entries will be made
17 in relation to the 2025 ROE embedded in 2025 distribution rates.

18

19 In accordance with the OEB's 2025-2029 Custom IR Decision, Toronto Hydro's 2026-2029 ROE is
20 being updated to 9.00% through this proceeding to reflect the Generic Proceeding Decision.

21

22 *Deemed Short-Term Debt Rate (DSTDR)*

23 In accordance with the OEB's 2025-2029 Custom IR Decision, Toronto Hydro's 2025 DSTDR was set
24 on an interim basis at 5.04%, using the rate from the OEB cost of capital parameters update in Q4
25 2024. This was implemented through the 2025 Final Rate Order.

¹ EB-2023-0195, Partial Decision and Order (November 12, 2024) at Page 18 and Schedule A at Pages 10-12 and Page 21

² OEB Letter re 2025 Cost of Capital Parameters (October 31, 2024)

³ EB-2024-0063, Decision and Order (March 27, 2025) at Page 91

⁴ EB-2023-0195, Final Rate Order (December 12, 2024)

1 The variance between that interim 2025 rate (5.04%) and the final 2025 rate (3.91%) set in the
2 Generic Proceeding is being tracked in the DSTDR Variance Account established by the OEB on July
3 26, 2024.⁵ As noted in the Manager's Summary,⁶ Toronto Hydro intends to dispose of and close
4 this Variance Account at the time of the next rebasing application (anticipated for 2030 rates). The
5 result will be a credit to customers estimated to be in the range of approximately \$3 million.
6 Toronto Hydro does not object to earlier disposition, but given the dollar value relative to Toronto
7 Hydro's revenue requirement, the bill impact benefit and intergenerational equity issues are
8 relatively low.

9

10 In accordance with the OEB's 2025-2029 Custom IR Decision, Toronto Hydro's 2026-2029 DSTDR is
11 being updated to 3.91% through this proceeding to reflect the Generic Proceeding Decision.

12

13 *Deemed Long-Term Debt Rate*

14 In accordance with the OEB's 2025-2029 Custom IR Decision, Toronto Hydro's 2025-2029 LTDR was
15 set on a final basis at 3.83% for all years, based on actual and forecasted debt issuances at the time
16 of the Draft Rate Order.⁷

17

18 The Generic Proceeding Decision and associated variance accounts do not apply to Toronto Hydro's
19 long-term debt rate.

⁵ EB-2024-0063, OEB Letter and Accounting Order (July 26, 2024)

⁶ EB-2024-0006, Tab 2, Schedule 1 – Manager's Summary at Page 5, Lines 3-7

⁷ EB-2023-0195, Draft Rate Order (November 26, 2024) at Page 3; Partial Decision and Order (November 12, 2024) at Page 18 and Schedule A at Pages 10-12 and Page 21

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 5

Reference(s): EB-2025-0006, Tab 2, Schedule 1, pp. 3

EB-2025-0006, Tab 2, Schedule 1, Table 1, pp. 4

EB-2023-0195, Draft Rate Order, November 26, 2024, Table 2, pp. 5

Preamble:

In Reference 1, Toronto Hydro states the 2026 Revenue Growth Factor (RGF) and the components of the settled Custom Revenue Cap Index (CRCI) were updated for 2026 to reflect the OEB approved ROE of 9.0% and short-term debt rate of 3.91%.

QUESTION (A):

- a) Please confirm that all differences between Table 2 in the Draft Rate Order of EB-2023-0195 (Reference 3) and Table 1 of the Application (Reference 2) are due to the updates to OEB-approved ROE and changes to the short-term debt rate.
- i) Please specify any other factors that may have contributed to changes between these Tables
- ii) Please provide supporting calculation evidence in a live Excel worksheet for the RGF components reported for 2025 and 2026, as shown in Table 1.

RESPONSE (A):

Toronto Hydro confirms that the differences between Table 2 in the Draft Rate Order¹ and Table 1 from the 2026 CIR update application² is due to the change in ROE from 9.25% to 9.0% and short-term debt rate from 5.04% to 3.91%. Toronto Hydro's response to 1-Staff-4 provides further details on the utility's implementation of the OEB's Decision in the Generic Proceeding on Cost of

¹ EB-2023-0195, Draft Rate Order (November 26, 2024), Table 2 at Page 5 of 8

² EB-2025-0006, Tab 2, Schedule 1 (August 12, 2025), Table 1 at Page 4 of 11

- 1 Capital Parameters (EB-2024-0063) with respect to the OEB-approved ROE and short-term debt
- 2 rate.
- 3
- 4 Appendix A to this response provides detailed calculations comparing the two tables.