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October 16, 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 Response to Staff-6

Please find enclosed Toronto Hydro's response to the follow-up interrogatory received on October 8, 2025 from OEB Staff and the officer's certificate that the response does not contain any personal information.

Respectfully,

Andrew J. Sasso

Andrew J. Sasso
Vice President, Regulatory & Municipal Relations
Toronto Hydro-Electric System Limited

<u>OFFICER'S CERTIFICATE – PERSONAL INFORMATION</u>

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 response to the follow-up interrogatory 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 16th day of October, 2025.

Janene Taylor
Executive Vice President,
Chief Strategy and
Regulatory Officer

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 6

Reference(s): **EB-2024-0063, OEB Letter, October 31, 2024**
EB-2024-0063, Decision and Order, March 27, 2025, p. 34
Response to Staff Question-4, October 3, 2025
Response to Staff Question-5, October 3, 2025

Preamble:

On October 31, 2024, the OEB set the 2025 return on equity (ROE) on an interim basis at 9.25%. This ROE was updated by the OEB to 9.00% on March 27, 2025, and set on a final basis for 2025 rates.

On October 31, 2024, the OEB also established a variance account regarding the ROE, related to the generic proceeding on cost of capital and other matters.

In the response to Staff Question-4 in the current proceeding, Toronto Hydro stated that "in accordance with the OEB's 2025-2029 Custom IR Decision, Toronto Hydro's 2026-2029 ROE is being updated to 9.00% through this proceeding to reflect the Generic Proceeding Decision."

However, Toronto Hydro is not recording amounts in the ROE variance account (to be disposed in its next rebasing), despite updating its Revenue Growth Factor (RGF) to reflect the final ROE of 9.00%, as noted in the response to Staff Question-5.

QUESTION (A):

a) Please explain Toronto Hydro's inconsistent treatment of the final ROE of 9.00% in its evidence, including why it is:
    i) Appropriate to reflect the 9.00% ROE in its RGF

ii) Not recording amounts in the ROE variance account (to be disposed in its next rebasing)

RESPONSE (A):

In its approved rate framework, Toronto Hydro's revenues for 2025 are determined using a cost-of-service forward test year approach, and for each of the remaining years (2026-2029) the revenues are determined by applying a custom index to escalate the prior year revenue to determine the revenue for the next year. Specifically, Toronto Hydro's approved Revenue Growth Factor (RGF) funds incremental capital and operational investment needs in the outer years of 2026-2029.

As noted in Toronto Hydro's response to 1-Staff-4, in accordance with the OEB's 2025-2029 Custom IR Decision,[1] the 2025 ROE was set on a final basis at 9.25%, using the rate of the OEB cost of capital parameters and is not subject to true-up. Accordingly, Toronto Hydro is not recording entries in the ROE Variance Account in relation to the 2025 ROE embedded in 2025 distribution rates.

In accordance with the OEB's 2025-2029 Custom IR Decision,[2] Toronto Hydro's 2026-2029 ROE is being updated to 9.00% through this proceeding to reflect the OEB's March 27, 2025 Decision in the Generic Proceeding on Cost of Capital Parameters.[3] By adjusting its 2026-2029 base rates, Toronto Hydro's ratepayers are receiving the immediate impact of the change in ROE. Accordingly, no entries will be recorded in relation to the ROE embedded in distribution rates.

QUESTION (B):

b) In addition to using the 9.00% ROE in its RGF, please explain where Toronto Hydro is using the 9.00% elsewhere in the current proceeding.

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[1] EB-2023-0195, Partial Decision and Order (November 12, 2024), Schedule A at pages 10-12 and page 21.
[2] *Ibid*.
[3] EB-2024-0063, Decision and Order (March 27, 2025).

RESPONSE (B):

Toronto Hydro confirms that the 9.00% ROE referenced in this proceeding is applied solely in the determination of the RGF. The ROE is not utilized in any other aspect of the current proceeding.