

Ontario Energy Board
P.O. Box 2319
27th. Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416- 481-1967
Facsimile: 416- 440-7656
Toll free: 1-888-632-6273

Commission de l'énergie de l'Ontario
C.P. 2319
27e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone; 416-481-1967
Télécopieur: 416-440-7656
Numéro sans frais: 1-888-632-6273



BY E-MAIL AND WEB POSTING

June 22, 2016

**To: All Rate-regulated Utilities
All Other Interested Parties**

**Re: Consultation on the Development of Corporate Governance Guidance for
OEB Rate-Regulated Utilities
Board File No.: EB- 2014-0255**

The OEB is initiating a consultation to develop guidance on corporate governance for OEB rate-regulated utilities (i.e., Ontario Power Generation, electricity distributors and transmitters as well as natural gas utilities) (the Utilities).

The purpose of this letter is to describe the consultation process that the OEB intends to use and how interested stakeholders may participate in this initiative.

Background

The OEB has established a performance based regulatory framework focused on utilities achieving outcomes that deliver value to customers. The OEB views good corporate governance as a significant contributor to utility performance and an important indicator of a utility's capability in achieving the expectations embedded in the Renewed Regulatory Framework.

As a first step in developing guidance, the OEB retained KPMG LLP (KPMG) to conduct a jurisdictional review of leading corporate governance practices by other energy and non-energy regulators, as well as research on the corporate governance structures and practices that are currently in place for Ontario electricity distributors. KPMG conducted interviews of electricity distributors to better understand the current state of corporate governance in the sector. KPMG's report, [Review of Corporate Governance of](#)

[Electricity Distributors](#), dated April 29, 2015 (the KPMG Report) is posted on the OEB's website.

The KPMG Report provided the following recommendations for OEB consideration that would assist electricity distributors in achieving good corporate governance:

- **Guidance:** Establish guidance for effective distributor corporate governance that reflects leading practices (e.g., the OECD's Principles of Corporate Governance).
- **Monitoring:** Identify indicators to assist with the on-going monitoring of the effectiveness of corporate governance and decision-making of the distributor.
- **Assessment:** Develop an approach (e.g., periodic audits) to ensure that the OEB's regulatory oversight for corporate governance provides evidence that the distributor is maturing in this regard and reflects leading practices.

The OEB has determined that it will act on the above-noted recommendations from the KPMG Report, but that the scope will be broadened to include all rate-regulated utilities.

The OEB believes that providing guidance on good corporate governance will contribute to:

- Effectiveness of regulation
- Achievement of the OEB's legislative objectives
- Delivering the outcomes established in the Renewed Regulatory Framework

The Consultation Approach

Elenchus Research Associate Inc. (Elenchus) has been retained to build on the work carried out by KPMG and provide expert assistance in developing draft guidance for the OEB's consideration on good corporate governance, including identifying indicators of performance (monitoring) and establishing an approach to ensure effective regulatory oversight (assessment). The guidance is to be reflective of Ontario's utility sector, it is to leverage existing requirements, it is to be principles based not prescriptive and should apply to all rate-regulated utilities.

Elenchus has prepared a draft report, [Corporate Governance for Regulated Natural Gas and Electricity Utilities](#) (Draft Report), which outlines its recommendations to achieve the OEB's objectives. This report is draft because the OEB and Elenchus want to gain insight from Utilities and other stakeholders. Therefore, Elenchus and OEB staff will be

holding targeted meetings with selected stakeholders to discuss the principles and recommendations set out in the Draft Report. Specifics about these meetings (date, location and agenda) will be announced in due course.

Elenchus will reflect on the discussion and input gathered through the stakeholder sessions and finalize its report for OEB consideration. Elenchus' final report will be issued for stakeholder comment, along with the OEB's initial views regarding the recommendations set out by Elenchus.

After reviewing stakeholder comments, the OEB expects to issue a report setting out its guidance on corporate governance for Utilities.

Invitation to Participate

The OEB encourages participation in this consultation process by all interested parties. Those interested in participating should indicate their intent by filing a letter with the OEB by **July 11, 2016** in accordance with the filing instructions set out below. The letter should include a statement as to whether the participant wishes to request cost eligibility. All requests for cost eligibility should comply with the requirements referred to under "Cost Awards" below.

Cost Awards

Cost awards will be available to eligible persons under section 30 of the *Ontario Energy Board Act, 1998* for participation in cost eligible activities as set out in Appendix A. Appendix A also contains information regarding cost eligibility requests and objections. Costs awarded will be recovered from all rate-regulated utilities based on their respective distribution revenues.

Filings to the OEB in relation to participation and/or requests for cost awards eligibility must be made in accordance with the filing instructions set out below. In order to facilitate a timely decision on cost eligibility, the deadlines for filing cost eligibility requests and objections will be strictly enforced.

Filing Instructions

Please submit electronic copies of filings in searchable/unrestricted Adobe Acrobat (PDF) format through the OEB's web portal at pes.ontarioenergyboard.ca/eservice and

also file three paper copies at the address below. You will need a user ID to make filings through the OEB's web portal. If you do not have a user ID, visit the "[e-filings services](#)" webpage on the OEB's website at www.ontarioenergyboard.ca and fill out a user ID password request.

Please use the document naming conventions and document submission standards outlined in the document entitled "RESS Document Preparation – A Quick Guide" also found on the e-filing services webpage. If the OEB's web portal is not available, electronic copies of filings may be filed by e-mail to boardsec@ontarioenergyboard.ca. If you do not have internet access, please provide a CD containing your filing in PDF format as described above to the Board Secretary at the following address:

Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, Suite 2700
Toronto, Ontario M4P 1E4

All filings to the OEB must be received by the Board Secretary by **4:45 p.m.** on the required date. Filings must quote file number **EB-2014-0255** and include your name, address, telephone number and, where available, your e-mail address and fax number. All filings received by the OEB in relation to this consultation will be available for viewing at the OEB's offices and will be placed on the OEB's website.

Questions regarding this consultation should be directed to Laurie Klein at (416) 440-7661 or by e-mail at laurie.klein@ontarioenergyboard.ca. The OEB's toll free number is 1-888-632-6273.

Yours truly,

Original signed by

Mary Anne Aldred
General Counsel & Vice President
Legal Services & Strategic Policy

Attachment: A – Cost Award Information

Appendix A

To Cover Letter Dated June 22, 2016

EB-2014-0255

COST AWARDS

Cost Award Eligibility

The OEB will determine eligibility for costs in accordance with its *Practice Direction on Cost Awards*. Any person intending to request an award of costs must file with the OEB a written submission to that effect by **July 11, 2016**, identifying the grounds on which the person believes that it is eligible for an award of costs (addressing the OEB's cost eligibility criteria as set out in section 3 of the OEB's *Practice Direction on Cost Awards*). All requests for cost eligibility will be posted on the OEB's website.

If a utility has any objections to any of the requests for cost eligibility, such objections must be filed with the OEB by **July 20, 2016**. Any objections will be posted on the OEB's website. The OEB will then make a final determination on the cost eligibility of the requesting participants.

Eligible Activities

Cost awards will be available in relation to participation in the targeted stakeholder meetings and in relation to the submission of written comments on Elenchus' Final Report.

ACTIVITY	TOTAL ELIGIBLE HOURS PER PARTICIPANT
Preparation for, attendance at, and reporting on a stakeholder meeting of up to one (1) day in length	Up to 15 hours
Written comments on Elenchus' Final Report	Up to 24 hours

As other activities are scheduled as part of this consultation, the OEB will provide participants with further details regarding costs for those activities.

Cost Awards

When determining the amount of the cost awards, the OEB will apply the principles set out in section 5 of its *Practice Direction on Cost Awards*. The maximum hourly rates set out in the OEB's Cost Awards Tariff will also be applied. The OEB expects that groups representing the same interests or class of persons will make every effort to communicate and co-ordinate their participation in this process.

The OEB will use the process set out in section 12 of its *Practice Direction on Cost Awards* to implement the payment of the cost awards. Therefore, the OEB will act as a clearing house for all payments of cost awards in this process. For more information on this process, please see the OEB's [Practice Direction on Cost Awards](#) and the [October 27, 2005 letter](#) regarding the rationale for the OEB acting as a clearing house for the cost award payments. These documents can be found on the OEB's [Rules, Codes, Guidelines and Forms](#) webpage.