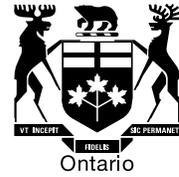


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**BY E-MAIL**

October 20, 2016

Maryanne Wilson  
Oakville Hydro Electricity Distribution Inc.  
861 Redwood Square  
Oakville ON L6K 0C7  
P.O. Box 1900  
[mwilson@oakvillehydro.com](mailto:mwilson@oakvillehydro.com)

Dear Ms. Wilson:

**Re: Oakville Hydro Electricity Distribution Inc. (Oakville Hydro)  
Application for Rates  
Ontario Energy Board (OEB) File Number: EB-2016-0097**

The OEB received Oakville Hydro's 2017 Price Cap IR Index application on August 15, 2016. In section 14 "Electric Vehicle Demonstration Trials" of this application, Oakville Hydro seeks approval to reallocate planned capital spending of approximately \$650,000 to a Public Electric Vehicle (EV) Charging Stations trial and the Electric Bus Demonstration and Integration trial, and to include those costs in its rate base.

The OEB has determined that it will exclude from Oakville Hydro's application the request to reallocate its planned capital spending to the two EV demonstration trials for three reasons.

The first touches upon the OEB's policies in support of smart grid and EV development. As a general policy, the OEB's Supplemental Report on Smart Grid states that distributors are expected to pursue investments that support and advance network operation and evolution, including electric vehicles. However, Oakville Hydro is reminded that the OEB issued a Bulletin on July 7, 2016 that offers guidance in relation to whether the ownership or operation of an EV charging station, and the selling of EV charging services, are licenseable activities under the *Ontario Energy Board Act, 1998*

(OEB Act). The Bulletin sets out OEB staff's view that the ownership or operation of an EV charging station does not constitute distribution and therefore would not be regulated by the OEB. As per the OEB's Supplemental Report on Smart Grid (EB-2011-0004), only the network aspects of EV charging would be regulated.

Second, even in the event that there was no question of whether the proposed capital spending related to rate-regulated distribution assets and activities, an approval to redirect capital funding is neither necessary nor appropriate. In a cost of service rate application the OEB's objective is to set just and reasonable rates. In doing so, it is informed by the distributor's distribution system plan (DSP), but the OEB does not necessarily approve each individual capital expenditure. Furthermore, once rates are set, a distributor is expected to manage its capital spending appropriately during its IR term and to explain any material variances from that spending upon rebasing. Variances for individual investment categories are expected, and explanatory notes should be provided in a distributor's rebasing process.<sup>1</sup>

Finally, the OEB's filing requirements for electricity distribution incentive-based rate applications state that the incentive rate-setting mechanism (IRM) application process is intended to be mechanistic in nature. A distributor is not expected to seek relief on issues that are specific to only one or a few distributors, more complicated relative to issues typical of an IRM application, or potentially contentious, except as part of the OEB-defined components of the IRM. Oakville Hydro's request falls outside the scope of the IRM process and is therefore not appropriately addressed in an IRM application.

For these reasons, the OEB will not hear issues in regard to Oakville Hydro's request to reallocate its planned capital spending to the two EV demonstration trials in Oakville Hydro's 2017 IRM proceeding.

Once the request for approval to re-allocate capital spending is removed from the application, Oakville Hydro's application may be appropriately decided by the OEB's Vice President, Applications, without holding a hearing. Authority to do so has been delegated under Section 6 of the OEB Act.

OEB staff may have questions regarding the application and will be in contact with you directly, as required. OEB staff has scheduled a teleconference for **October 27, 2016**, in the event that a teleconference is required. Please ensure that appropriate members of your staff are available at that time, or inform the OEB Staff member named below if this date is unworkable.

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<sup>1</sup> Filing Requirements for Electricity Transmission and Distribution Applications, Chapter 5, Consolidated Distribution System Plan Filing Requirements issued on March 28, 2013, page 17

If any additional information is received from you in response to OEB staff questions, OEB staff will update the applicable as necessary. All changes to the models will be documented and provided to you no later than **November 3, 2016**. OEB staff will also outline any additional information that you need to provide.

If you have any comments regarding the updated models, please provide them to OEB staff, along with any additional information requested by OEB staff, by no later than **November 10, 2016**.

Following these steps, the Vice President, Applications will provide you with a draft of the decision that she proposes to make. You may comment on the draft decision within 14 days. Where possible, a draft rate order and all applicable models will be enclosed for comment. In some circumstances you may be required to file a separate draft Rate Order. The Vice President, Applications will consider your final comments and issue a final decision and rate order.

As a further matter, you are directed to make a copy of the application available in a prominent place on your company's website within 3 business days. Your application is available on the [2017 EDR webpage](#) of the OEB's website.

Any questions relating to this letter or your application should be directed to Katherine Wang, Analyst at 416-440-7619 or [katherine.wang@ontarioenergyboard.ca](mailto:katherine.wang@ontarioenergyboard.ca).

Yours truly,

*Original signed by*

Lynne Anderson  
Vice President, Applications