



Cornerstone Hydro Electric Concepts Association Inc.

January 31, 2018

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, Suite 2700
Toronto, ON M4P 1E4

Re: Policy Consultation of Wireline Pole Attachment Charges(EB-2015-0304)

Dear Ms. Walli:

Attached please find Cornerstone Hydro Electric Concepts Association's (CHEC) comments with respect to the Board's invitation to comment on the Draft Report on the Framework for Determining Wireline Pole Attachment Charges. This submission addresses the several issues outlined in the Draft Report dated December 18, 2017 and follows the same format (Attachment A).

CHEC is an association of seventeen (17) local distribution companies (LDC's) that have been working collaboratively since 2000. The comments over the following pages express the views of the CHEC members.

We trust these comments and views are beneficial to the Board's initiative. CHEC looks forward to continuing to work with the Board in this matter.

Yours truly,

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ATTACHMENT A

Allocation Methodology – Utilities currently use “Proportional Use” (low costs) or “Equal Sharing” (high costs) methodologies to allocate the common cost of poles. Both methodologies conform to the principle of economic efficiency and avoid the issue of cross-subsidisation. The OEB is recommending a “Hybrid” methodology be used (mid-range costs), which is a compromise between the Proportional Use and Equal Sharing methodologies. The OEB views the Hybrid methodology as a fair and efficient way to allocate costs to third-party attachers.

CHEC is in agreement with the use of the Hybrid methodology as a fair and efficient way to allocate costs to third-party attachers.

LDC Specific or Province Wide Rate – The OEB is of the view that a provincial pole attachment rate (\$52), subject to inflationary adjustments, is simpler and in the best interest of the public. Utilities can still address the need for a utility specific charge at the time of rebasing.

CHEC is supportive of a provincial pole attachment rate as it provides consistency across the industry.

Inflationary Adjustments – The previous pole attachment decision did not include an adjustment factor for inflation. Therefore, the OEB is introducing an annual inflationary adjustment mechanism to the single, province wide rate. The adjustment will be based on the base input price index (IPI) with no productivity and stretch factor applied.

CHEC is supportive of inflationary adjustments on the single, province wide rate, as it will keep the rate current and avoid the need for future, significant, single-step adjustments.

LDC Collection of Cost Data – This consultation has resulted in a database of cost inputs for pole attachments that account for roughly 90% of the pole population in the province. To continue to improve this database, the OEB will require all LDCs to begin collecting and tracking the number of attachments on each pole, in addition to the number of attachers (parties) on each joint-use pole so that information regarding the number of overlashers and strand owners is available in the future. In addition, the OEB will require all LDCs to set up sub accounts to track pole attachment costs directly attributed to carrier attachments.

CHEC understands the need to maintain and improve the database of cost inputs for pole attachments but believes it is impractical to capture all direct and indirect costs related to pole attachments. There will be significant administrative burden to capturing this information. CHEC is of the belief that capturing 90% of the pole population is a good enough estimate for all calculations required for pole attachment policy setting.

Separation Space – To ensure the safety of communication workers, that ESA and CSA safety standards are met, and that all costs are fully allocated to third-party attachers, the OEB is proposing that separation space will continue to be included as part of communication space.

CHEC is in agreement with continuing to include separation space as part of communication space.

Allocation of Vegetation Management Costs – In the previous decision, vegetation management costs were not included in the annual pole attachment charge, however, carriers indicated that many of their joint use agreements with LDCs contain provisions for vegetation management. In order to ensure fair allocation of costs, the OEB will require vegetation management costs to be recovered through the wireline pole attachment charge.

CHEC is of the belief that the costs associated with recording vegetation costs attributed to pole attachers is disproportionate to the revenues received. It will be extremely difficult, and will take significant administrative burden, to separate vegetation costs related to the overhead distribution system versus those costs related to pole attachments in a fair and equitable manner. Therefore, a utility's current policies and procedures for allocating vegetation management costs should remain unchanged.

Allocation of Neutral Power Wire Costs – CSA standards requires communication facilities to be bonded to the neutral wire at a minimum of every 300 meters, but carriers are not currently allocating any costs related to an LDC neutral wire. The OEB has decided to not allocate the costs associated with an LDC distribution pole neutral wire into the common cost of the poles at this time, however, the costs of carriers bonding to the neutral should continue to be paid for by carriers, separate from the wireline pole attachment rate.

CHEC agrees that the costs associated with a utility's pole neutral wire should not be allocated into the common costs of the poles. These costs are on an as needed basis and therefore a separate payment method is appropriate.

Overlapping Revenues – An initial concern was that overlappers were not paying any of the costs associated with the joint use pole. Based on the consultation, the OEB is now satisfied that overlappers do pay the pole attachment rate. However, the OEB believes that overlapping revenues received by Carrier A (the Strand Owner) are relevant to the pole attachment rate model that is being adopted. Therefore, the OEB will require that LDCs begin collecting and tracking attachment data (in addition to the tracking of the number of attachers), so that the number of overlappers, as compared to the number of carriers who own strand, can be better understood in the future.

CHEC is not in agreement with the collecting and tracking of attachment data so that the number of overlappers/carriers who own strand can be better understood in the

future. Historically, this information has not been tracked and it will take significant resources and cost to gather this information on an ongoing basis.

Bell Canada Agreements with LDCs – A number of LDCs within the province have reciprocal agreements with Bell Canada (Bell) where no monies are exchanged for access to each other's poles. The OEB has determined that it will not consider the Bell and LDC reciprocal agreements as part of the new pole attachment rate methodology. Whether Bell pays the rate in kind or in cash does not affect the calculation of the charge. This treatment means that each party is paying its fair share of the costs.

CHEC has no comment on this issue.