



BY RESS AND COURIER

February 8, 2018

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

Dear Ms. Walli,

**Re: EB-2015-0304 Review of Miscellaneous Rates and Charges, OEB's Draft Report on Framework for Determining Wireline Pole Attachment Charges**

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On December 18, 2017, the Ontario Energy Board ("OEB") issued the draft Report of the Board entitled, "*Framework for Determining Wireline Pole Attachment Charges*" (the "Draft Report") and invited comments on the Draft Report to be filed by January 22, 2018. The OEB subsequently extended the filing date for submissions to February 9, 2018, in a letter dated January 12, 2018.

This submission incorporates the views of Alectra Utilities Corporation, Hydro One Networks Incorporated, Hydro Ottawa Limited, London Hydro and, Midland Power Utility; referred to collectively as the Pole Attachment Working Group ("PAWG") Local Distribution Companies ("LDCs"). The PAWG LDCs consist of those LDCs that directly participated in the OEB's Pole Attachment Working Group.

Below are the PAWG LDCs' general comments with respect to the Draft Report findings and specific comments with respect to the nine key policy issues in the Draft Report.

**General Comments**

Overall, the PAWG LDCs support the OEB's policy review and findings for the determination of a province wide wireline attachment rate, while allowing LDCs to apply for a custom rate to recover company specific costs, where appropriate. The group also supports the referenced OEB plan to conduct a follow-up policy consultation – Part II of the Pole Attachment Review to better understand the value to third-party attachers of having access to Ontario's vast network and whether a value-based approach should be adopted.

## **Allocation Methodology – “Principles for Allocating Common Costs”**

The OEB proposes to adopt Nordicity’s recommendation and move forward with allocating common costs based on the hybrid equal sharing methodology. Consistent with the 2005 Decision in RP-2003-0249, third party attachers will be responsible for their direct costs. The OEB is of the view that the hybrid equal sharing methodology is an efficient and fair cost allocation to be applied to third party attachers, at this time.

The PAWG LDCs agree and support the OEB’s proposed adoption of the hybrid model as a fair methodology for allocating common costs. The PAWG LDCs also agree and support the OEB proposed methodology for the calculation of direct costs.

The PAWG LDCs are in agreement with the OEB’s calculation of indirect costs, with the exception of the exclusion of pole inspection costs captured in Uniform System of Accounts (“USoA”) account 5020. As noted on page 64 of Nordicity’s report, many LDCs capture the cost of pole inspection in account 5020. These pole inspection costs are significant. Although submitted during the working group, the costs appear to have been overlooked by Nordicity and the OEB. The PAWG LDCs recommend that these costs be included in the province-wide rate, as their exclusion from the generic rate would likely result in each utility requesting a specific rate, which would be a highly inefficient process.

The PAWG LDCs recognize that it is in each LDC’s interest to make sure that it is tracking costs accurately into the identified accounts 1830, 5120 and 5135. However, LDCs may encounter costs related to third party attachers that are not captured in these three accounts. Examples include LDC attendance to “Wire-Down” calls, where the carrier attachment is the wire down, or pole inspection costs, as identified above. Where an LDC applies for a custom pole attachment rate, the LDC should be permitted to make the case for the inclusion of costs in accounts other than those listed in the determination of their specific rate.

## **LDC-Specific or Province-Wide Rate**

The OEB intends to implement a province-wide rate in 2018 of \$52 per attacher per year per pole. The new charge includes inflation from 2015 to 2018 based on the OEB’s Input Price Index (IPI).

LDCs may apply for an LDC-specific pole attachment rate using the OEB’s methodology and their own specific costs where the province-wide rate will not cover their specific costs.

At the time of rebasing, LDCs that choose to apply for an LDC-specific rate will be required to submit specific inputs from sub accounts that track costs directly attributed to carrier attachments and file the OEB work form. The OEB's filing requirements will provide additional details.

The PAWG LDCs support the OEB approach for a single province-wide pole attachment rate with inflationary adjustments, with the understanding that each LDC can apply for a LDC-specific pole attachment at the time of rebasing, should they choose to do so.

The PAWG LDCs have reviewed the Draft Pole Attachment Work Form posted by the OEB. The group has noted some inconsistencies between the calculation in the Work Form and the findings in the Draft Report. The PAWG LDCs recommend the work form be reviewed as the OEB works to finalize their findings.

### **Inflationary Adjustments**

The OEB intends to implement an annual inflationary adjustment mechanism to the province-wide rate. The adjustment will be based on the base Input Price Index ("IPI") with no productivity and stretch factor applied.

The PAWG LDCs agree and support the OEB's proposal to use the IPI as the inflationary adjuster for wireline charges. It is noted that the inflationary adjustment should also be applied where an LDC seeks an LDC-specific rate.

### **LDC Collection of Cost Data**

The OEB proposes to require all LDCs to set up sub-accounts to track pole attachment costs directly attributed to carrier attachments.

LDCs will require specific accounting guidance with respect to the establishment of these sub-accounts, and the type of costs to be tracked in each sub-account. The PAWG LDCs believe that the foreseen benefits of setting up USoA sub-accounts used to track costs directly attributed to carrier attachments should outweigh the level of effort required for the LDCs to institutionalize such changes within their respective organizations. Furthermore, the level of precision in recording direct costs, with respect to physical work being completed in the field, needs to be considered in the establishment of such accounts.

The current draft is lacking in the accounting details required. As noted above, many LDCs track certain pole maintenance costs in a USoA account not mentioned in the Draft Report. LDCs see benefit in the OEB establishing a working group to discuss the set-up of sub-accounts, or alternatively the ability to comment on draft guidance.

## **Separation Space**

Consistent with the OEB 2005 Decision in RP-2003-0249, separation space will continue to be included as part of communication space. CSA standards are clear that separation space is needed to ensure the safety of communication workers who need access to communication attachments on joint use poles.

The PAWG LDCs agree with the OEB approach to separation space.

## **Allocation of Vegetation Management Costs**

The OEB proposes to require vegetation management costs to be recovered through the wireline pole attachment charge going forward, rather than through joint use agreements. The OEB proposes to include the vegetation management costs embedded in USoA account 5135 in the province-wide rate, based on the 33% allocation put forth by Hydro One.

PAWG LDCs currently do not provide vegetation management on behalf of their attachers, including Hydro One. The PAWG LDCs believe that it should remain the LDC's option whether to perform vegetation management on behalf of the carriers. Where an LDC does elect to undertake vegetation management on behalf of pole attachers, PAWG LDCs support the use of the proposed OEB methodology to determine what the cost would be per pole as part of the pole attachment rate. As a result, the PAWG LDCs recommend the institution of two provincial-wide rates, which would allow for LDCs to opt into, or out of providing vegetation management services, without requiring the use of a custom rate.

PAWG LDCs further note that only routine maintenance costs for vegetation management should be included as part of pole attachment rates and it is understood that the 33% allocation put forward excludes the construction portion (capital costs) of new overhead lines. Telecom companies normally complete their own vegetation management during the installation of their new lines on existing electricity poles; or request LDCs to perform the vegetation management as "make ready" work and pay the associated costs on a project-by-project basis.

The inclusion of vegetation management costs in the province-wide rate creates an expectation that utilities must perform this task – which currently many are not. In addition, some LDCs may not have the means to provide vegetation management services to pole attachers. Where this service is being included in the provincial-wide rate – the service level and standard to which vegetation management is required for that provincial-wide rate needs to be specified. Should the OEB maintain one provincial-wide rate with vegetation management included, expectation of when this service should begin also needs to be clarified.

## **Allocation of Neutral Power Wire Costs**

The OEB does not propose to allocate the costs associated with an LDC distribution pole multi-grounded neutral wire system into the common cost of the poles at this time. The OEB finds that this is a requirement of power utilities and the costs should not be shared by carriers. The OEB notes, however, that the costs of carriers bonding to the neutral should continue to be paid for by carriers, separate from the wireline pole attachment rate.

The PAWG LDCs support the CEA's position that the capital and maintenance costs of the multi-grounded neutral conductor and grounding systems should be included in the common costs of the pole.

## **Overlapping Revenues**

As noted by the OEB, LDCs currently track the number of attachers, or entities, and not the number of attachments on the pole. In the Draft Report, the OEB has indicated it will require LDCs to begin to collect and track carrier attachment data going forward, so that the number of overlappers can be better understood.

The PAWG LDCs currently charge overlap companies on a separate carriers strand, the current approved OEB pole attachment rate. The PAWG LDCs would support greater transparency with regards to the revenues that strand owners receive through commercial agreements with overlappers, due to being attached to PAWG LDC owned poles.

The PAWG LDCs caution that the cost for the LDCs to collect and track the attachment data relative to the potential benefit should first be assessed. The PAWG LDCs have based their tracking systems and retained records on the attachers, per the 2005 OEB decision in RP-2003-0249. With modification of tracking systems, collection of such data on a go forward basis may be feasible. However, it is the view of the PAWG LDCs that collection of data related to existing attachments would be required to achieve the potential benefits identified. Collection of such data would require costly and time consuming field audits of all attachments, pole-by-pole. The PAWG LDCs recommend further consideration of the cost and benefits of additional data. The discussion of what data should be required, should be undertaken as part of the Part II Pole Attachment Review.

Should collection of attachment data be required, further refinement of the definition of attachment and attachment types would be necessary. It is the view of the PAWG LDCs that the current definition in the OEB draft report, in light of the variety of attachments on an LDC's poles would not yield consistent or 'useful' results.



Should the OEB require tracking of attachments, it will add additional administration cost that should be recovered through the pole attachment rates.

### **Bell Canada Agreement with LDCs**

The OEB has determined that it will not consider the Bell and LDC reciprocal agreements as part of the new pole attachment rate methodology.

The PAWG LDCs agree with the OEB's findings.

If you have any questions with respect to the above, please contact the undersigned

Sincerely,

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