

### General Comments

The EDA supports the following findings of the Ontario Energy Board (OEB) on the proposed Pole Attachment (PA) rate, on a without prejudice basis:

- The level of the proposed rate;
- The clarity of the OEB's deliberation and balancing of the interests in assessing the appropriate methodology; and
- The proposed annual adjustment for inflation.

The EDA seeks additional information on the implementation of the proposed rate, its incorporation into the OEB's Incentive Rate Making Mechanism and other issues.

### The Proposed PA Rate

The EDA generally supports the OEB's determinations in this proceeding. Our members have long believed that the currently authorized \$22.35/attacher/pole/year was artificially low. This position was confirmed by the OEB's processing of Hydro Ottawa's and Toronto Hydro's Custom IR rates applications that resulted in approved rates of \$53 and \$42 respectively as well as by its processing of the Carriers Motion that resulted in approval of Hydro One's PA rate of \$41.28.

### Methodology

The EDA recognizes that there are many methodologies available for costing activities and that each has its unique attributes, strengths and shortcomings. We are encouraged that the OEB found a way to organize the outcomes of the different methodologies through its use of the range of reasonability. The EDA questions whether it is appropriate to quantify the bounds of the range using a costing methodology that is theoretically acceptable but not acceptable in practice, namely the stand alone cost methodology.

The EDA has reviewed the OEB's discussion of the two leading methodologies and observes that the OEB explicitly recognized that there was no compelling argument favouring either. The proposed hybrid methodology appears to strike an appropriate balance between the competing methodologies, without giving rise to a concern that the resulting rate cannot be found just and reasonable. To the OEB's credit, the proposed methodology is a 'made in Ontario' solution. It is not a replication or adoption of a methodology developed by another regulator in another jurisdiction where the circumstances and policy drivers may or may not have been comparable.

LDCs will benefit from the 'lessons learned' over time as this rate is applied and evolves.

## Data

The EDA acknowledges that the OEB faced numerous challenges in accessing suitable data and that it sought to appropriately use the best available data.

The OEB's Uniform System of Accounts (USoA) was established to support evaluating the utility's financial performance, not to support the derivation of rates to be charged to third parties for the provision of a specific service. LDCs note that in the time since the subject proceeding began, the OEB could have sought to engage LDCs in acquiring sample data that could have tested the relevance of the USoA data for quantifying the proposed PA rate. Equally, LDCs could have acquired sample data on the charge parameter of attachers/pole/year to test the relevance of the 1.3 factor that has been adopted.

Going forward, LDCs look forward to the OEB's guidance on the ongoing collection of utility cost data and utility financial data to be used to compute authorized rates and charges that are not distribution rates, such as the subject PA rate. LDCs will seek OEB guidance on the standard that their charge parameter data is expected to be able to satisfy.

The EDA recognizes that the OEB intends to conduct a phase 2 portion of this proceeding. The EDA understands that, among other things, the OEB will seek information on the value to third parties of being able to attach to poles owned by LDCs. If the outcome of that phase of the proceeding is a revised PA rate then the short comings of the data will be temporary and the concerns expressed above will be short lived.

## The Proposed Rate

LDCs are generally in favour of the proposed PA rate as it results in improved cost causality and better reflects the costs incurred while preserving the simplicity of a province wide rate. The EDA observes that it is expected to give rise to additional Specific Service Charge Revenues, at a time when LDCs are managing ongoing cost pressures related to poles as well as other ongoing cost pressures (e.g., the financial consequences of the moratorium on residential customer disconnections during winter).

Some LDCs have recently rebased their rates and charges, while others are evaluating when to rebase. The EDA looks forward to the OEB's guidance on the implementation of the new rate and its incorporation into both the OEB's Incentive Rate-making Mechanism and the rates set pursuant to approved Custom Incentive Rate-setting applications.

## Design

The proposed province wide default PA rate will provide stability, increase predictability, and increase consistency across the province.

The proposed PA rate has been designed as a 'bundled' rate that reflects the LDCs costs to own and operate the pole, including the costs incurred to manage vegetation that grows around the lines supported by the pole. LDCs have identified that they trim vegetation to differing standards (e.g., to the power line, to all attached lines) and assume that they will continue to be responsible for the standard to which they have historically performed. To be clear, those LDCs who trim around power lines will continue to do so and will continue to be responsible for this level of service. LDCs that trim around their power lines note that third party attachers are responsible for trimming around their attachments and are assumed to be trained and equipped to safely perform this activity.

The EDA seeks OEB guidance on the appropriateness of partially unbundling the proposed PA rate to remove vegetation management costs depending on trimming standard applied.

## Annually Adjusting the PA Rate

The EDA supports the OEB's position to annually adjust the PA rate. This is expected to keep the rate 'refreshed', to promote predictability and to mitigate the risk that the rate will become stale, or not be capable of recovering the ongoing costs from the counter-party. The EDA understands that while the rate of inflation is at historic lows, the OEB's productivity offset is set at 0 and Stretch Factors range from 0% to 0.6% and that the PA rate and distribution rates are not expected to change markedly on a year over year basis. To be clear, over a sufficiently long period of time, compounding will create a divergence between the rate of increase of distribution rates and the rate of increase of the PA rate. The EDA proposes that the OEB monitor the appropriateness of the PA rate on an ongoing basis, especially if inflation, the productivity offset or Stretch Factors change significantly, or, if rates have been mechanically adjusted for many years.

## Cross Subsidization

The EDA is conversant with the standard that just and reasonable rates are expected to be, among other things, free of undue cross subsidization. The OEB has given careful attention to this issue and has taken steps to quantify a rate that does not result in undue cross subsidization between third party attachers and distribution rate payers. LDCs are aware that PA rate revenues will impact Revenue Offsets. During rate rebasing, revenue offsets reduce the Revenue Requirement to be recovered from ratepayers through

distribution rates. The EDA proposes that, in future, the OEB analyze rebased distribution rates to determine whether they are similarly free from undue cross subsidization.

#### Next Steps

The EDA looks forward to the next phase of this proceeding, including the OEB's analytical work to evaluate the value of this service, to the setting of market based rates and the appropriate treatment of the associated revenue offsets.

We look forward to further information on the next phase of this proceeding.