Canadian Electricity Association | Association canadienne de l'électricité

February 9, 2018 By Email to: BoardSec@oeb.ca

Ontario Energy Board
P.O. Box 2319, 27th Floor
2300 Yonge St.
Toronto ON M4P 1E4

Attention: Board Secretary

Re: Review of Miscellaneous Rates and Charges
Policy Consultation of Wireline Pole Attachment Charges
OEB File Number EB-2015-0304

1.0 INTRODUCTION

Pursuant to the proceeding set out on page 1 of the Ontario Energy Board (OEB)'s letter dated December 18, 2017 as revised by the OEB in letters dated January 4, 2018 and January 12, 2018, the following comments are submitted by the utility member companies of the Canadian Electricity Association (hereinafter "CEA") in response to the OEB's December 18, 2017 Draft Report setting out a policy for wireline attachment rates charged by local distribution companies (LDCs) for wireline attachments of telecommunications and cable companies (carriers) to distribution poles in the province of Ontario (hereinafter the "OEB's Draft Report"). CEA is aware that several of its Ontario based LDC members are filing detailed comments.

Failure on the part of the Canadian Electricity Association (CEA) to address or respond to any aspect of the OEB's Draft Report or the Nordicity Report shall not be construed as agreement or acceptance of any of the statements or provisions contained therein.

1.1 Canadian Electricity Association (CEA)

Founded in 1891, CEA is the national forum and voice of the evolving electricity business in Canada. CEA members generate, transmit, and distribute electrical energy to industrial, commercial, residential, and institutional customers across Canada. Members include integrated electric utilities, independent power producers, transmission and distribution companies, power marketers, manufacturers and suppliers of materials, technology, and services. The Association's strategic goal, on behalf of its membership, is to provide a comprehensive roadmap to address the industry's most pressing issues, including infrastructure renewal, environmental protection, innovation and technology, indigenous and North

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American partnerships, and regulation and security. CEA strives to deliver compelling and coherent industry viewpoints to decision makers on critical policy and regulatory issues. CEA is governed by a Board of Directors comprised of senior executives from its Corporate Utility Members.

CEA's interest in the current proceeding principally arises from the potential that the OEB's revised joint use rates and policy determinations have in informing determinations made by other provincial regulators and the positive and enduring impact this may have on LDCs in Ontario or in other Canadian provinces. CEA does not seek cost award eligibility.

2.0 CEA Comments on OEB Draft Report

CEA commends the OEB for initiating a review of the Ontario wireline attachment rate and for demonstrating significant leadership in triggering a general review of all Ontario LDCs miscellaneous rates and charges to examine not only whether the rates continue to reflect the cost and value of providing the service, but also to establish appropriate mechanisms for ensuring the rates and charges continue to reflect the costs and circumstances justifying the rates and charges. CEA further commends the OEB for signalling its intent to conduct a Phase II Pole Attachment Review to better understand the value to third-party attachers of having access to Ontario's distribution network.

In what follows, CEA provides its observations related to some of the findings contained in the OEB Draft Report and offers recommendations designed to help guide the OEB's Phase II review of the Pole Attachment Review.

2.1 Provincial Pole Attachment Rate

CEA supports the adoption of a revised provincial pole attachment rate for Ontario LDCs, as well as the OEB's proactive determination to adjust the rate annually by an inflation factor. CEA further supports the OEB's decision to provide Ontario LDCs the continued flexibility of opting to adopt the provincial rate at the time of rebasing, or to use utility specific costs and pursue an LDC-specific pole attachment charge.

2.2 Appropriate Methodological Balance

CEA notes that a key issue of contention between the positions adopted by the electric utilities versus that adopted by telecommunication carriers relates to the costing methodology. CEA notes that historically there has been substantial disagreement between the power utilities and telecom companies regarding the merit of allocating common costs based on equal sharing method versus a proportional costing method.

To address the historical disagreement Nordicity proposed a Hybrid method. The Hybrid method assumes that the common space on the pole is allocated equally to power utility and third party attachers, and then the third party attacher portion of the costs is divided by the number of third party

attachers. This method allegedly combines the benefits of proportional sharing with the benefits of the equal sharing method. CEA believes there may be some merit to the Nordicity Hybrid method.

2.3 Correcting minor referential errors

CEA notes that throughout the OEB Draft Report there are a few terms that are used interchangeably that, left unaddressed, may cause future confusion to the benefit or detriment of one or several parties.

By way of example, CEA notes that on page 13, figure 2 of the OEB Draft Report, "Common Space is described as the Clearance Space plus the Buried Space. Similarly, Common Cost is used interchangeably with Indirect Cost throughout the Draft Report. It should be clarified that Common Costs are not the costs associated with the Common Space, or instead, replace the term Common Cost with Indirect Cost to avoid any confusion with the Common Space.

Finally, in the fourth paragraph on page 29 of the OEB Draft Report, the Draft Report mistakenly refers to Decision 2000-86 in the case of TransAlta Utilities as being from the New Brunswick Energy and Utilities Board (NBEUB), when in fact it is from the Alberta Energy and Utilities Board (AEUB).

2.4 Addressing Important Omissions in the OEB Draft Report

The impetus for the OEB's review of the pole attachment rate, was its finding that the pole attachment rate "no longer reflective of the costs associated with installing and maintaining joint use pole because it was too low." [1] Consequential to this omission was the OEB's finding that incremental costs incurred by utilities were not being recovered. The OEB appropriately concluded that "if the costs and benefits of utilizing LDC assets are not appropriately allocated to carriers then ratepayers are a risk of subsidizing these costs."[2]

Below, CEA discusses both costs not recovered in the pole attachment rate, that should be recovered in the pole attachment rate as well as costs that are currently recovered in a separate rate "outside" the pole attachment rate that need to be explicitly recognized as such by the OEB.

2.4.1 Make Ready Costs

To illustrate an example of a cost "outside" the pole attachment rate, CEA notes that make-ready costs represent the onetime charges an attacher must pay the pole owner in order to prepare the pole for the requested attachment, so that the attachment is in compliance with the applicable safety codes, engineering standards, and applicable Acts and regulations. Make Ready costs and the conditions associated with accommodating a specific wireline attachment permit, on existing poles have not traditionally been part of the rate methodology and should be explicitly recognized as such, within the

[1] Page 8, OEB Draft Report of the Board, Framework for Determining Wireline Pole Attachment Charges, EB-2015-0304.
[2] Page 8, Ibid.

OEB's report. Failure to explicitly recognize these costs as external to the rate, may result in a carrier mistakenly believing that make ready costs are embedded in the pole attachment rate.

2.4.2 Overhead Neutral System

CEA notes that on page 40 of the Draft Report, the OEB chose to refrain from allocating both the capital and maintenance costs associated with the distribution pole neutral wire in the common costs of the pole. Instead the OEB determined that the costs of the carriers bonding to the multi-grounded neutral should be recovered from the carriers in a rate that is separate from the pole attachment rate. Specifically, the OEB concluded

> "The OEB will not allocate the costs associated with an LDC distribution pole neutral wire 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."

CEA respectfully submits that carriers benefit from multi-grounded neutral systems and therefore should bear a portion of the costs associated with overhead neutral systems. In a 2016 CEATI Kinetric's report[3] showed that the practice of bonding telecommunication sheath/messenger to the LDC's multi-grounded neutral system is done for safety reasons and that the benefits are imparted to both the LDC and carriers. Indeed, carriers' access to the utilities neutral systems allows them to avoid investing in and install their own grounding system. CEA submits that these costs are legitimate costs[4] that should be included as part of the pole attachment rate and accordingly should be reviewed in the OEB's future Part II consultation of the Pole Attachment Review.

It is useful to clarify any misperceptions arising from a recent NB Power rate application (NBEUB Matter No. 0272). Importantly the NBEUB did NOT deny the costs of the overhead multi-grounded neutral system as part of the indirect costs, but rather requested more detailed costs related to this activity. The NBEUB sought to have the neutral practice and the related costs presented at the same time, so evaluating this neutral component as part of the indirect costs has been deferred until a future rate application. CEA encourages the OEB to include consideration of the overhead neutral systems in the second phase of the pole attachment review.

[3] Page 39 & 40, Bonding of the Telecommunications Sheath/Messenger to Power Neutral, Kinectrics Inc., CEATI Report No. T144700-50/121, June 2016.

[4] Clauses 9.2.3.1 and 9.2.4.1 of Canadian Standards Association standard C22.3 No. 1 Overhead Systems state that communication grounding and bonding intervals shall comply with CSA C 22.3 No 5.1-93 (Reaffirmed 2007) Recommended Practices for Electrical Protection-Contact Between Overhead Supply and Communication Lines.

2.4.3 Maintenance Vegetation Management

On page 38 of the OEB's Draft Report, the OEB notes the following:

> The OEB notes the inconsistency in how vegetation management costs are being charged across the industry. Some utilities are recovering vegetation management costs through their joint use agreements, while others are not. Where these costs are not being recovered through joint use agreements, ratepayers are currently subsidizing these costs. The OEB will require these charges to be recovered through the wireline pole attachment rate going forward, rather than through joint use agreements.[5]

CEA notes that maintenance vegetation management practices and the frequency of maintenance work may vary among utilities. CEA suggests that the OEB be mindful of the differentiated maintenance vegetation management practices when reviewing this issue Phase II of the pole attachment proceeding.

3.0 OEB Pole Attachment Rates – Phase II

3.1 Forward Looking Costing Methodology

At page 14 of the OEB Draft Report, the OEB identified three different costing approaches for calculating the pole attachment rate, based on a) historical costs; b) forward looking/replacement costs; and c) standard benchmarking costs. The $52 standard provincial rate was determined based on historical data like the method used to derive the previous $22.35 rate. With respect to the use of historical costs, Nordicity observed the following that CEA believes is instructive:

> "… the use of historical costs underestimates rates because it does not capture inflationary factors and major pole replacement programs for gaining pole infrastructure."[6]

The use of forward looking and alternative costing methods have been explored by intervenors in past OEB proceedings. By way of example CEA notes that this question was raised at the technical conference of Hydro Ottawa's five year Custom Incentive Regulation proceeding[7]. In this proceeding the stakeholders representing customer groups questioned[8] whether rates should be based on the forward-looking costing data and filed evidence estimating the revised cost using this methodology. Similarly,

[5] Page 38, OEB Draft Report of the Board, Framework for Determining Wireline Pole Attachment Charges, EB-2015-0304.
[6] Page 14, Ibid.
[7] Initiated under proceeding EB-2015-0004.
[8] Refer to Case number EB-2015-0004, Transcript Oral Hearing Vol 2 and Exhibit K2.3.

CEA notes that in the proceeding EB-2015-0304 leading to the OEB's Draft Report, the intervenors similarly argued in favour of using forward looking costs.[9]

Accordingly, CEA encourages the OEB to consider the merits of using some form of forward looking costing methodology, in Phase II of the proceeding, so that the forward looking and forecasted pole replacement costs can be appropriately recovered.

All of which is respectfully submitted.

Francis Bradley,
Chief Operating Officer
Canadian Electricity Association

[9]Reference pages 3 and 6 of meeting # 2 meeting minutes https://www.oeb.ca/oeb/_Documents/EB-2015-0304/PAWG_Minutes_20160727.pdf