



PUBLIC INTEREST ADVOCACY CENTRE
LE CENTRE POUR LA DÉFENSE DE L'INTÉRÊT PUBLIC

May 28, 2018

VIA E-MAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board

Dear Ms. Walli:

Re: EB-2017-0049 Procedural Order #6
Hydro One Networks' Proposed Wireline Pole Attachment Charges
VECC's Submissions

1. On March 31, 2017, Hydro One Networks Inc. (Hydro One) filed a 5-year Custom Incentive Regulation application with the Ontario Energy Board (OEB) on March 31, 2016 under section 78 of the Ontario Energy Board Act, 1998, S.O. 1998, c. 15, (Schedule B), seeking approval for changes to its distribution rates, to be effective January 1, 2018 to December 31, 2022 (EB-2017-0049). Included in the Application was a proposal for Joint Use Telecom charges, using the methodology approved in EB-2015-0141.
2. In its letter dated February 28, 2018, the OEB advised that Hydro One's request to change its pole attachment charge would not be considered at the time as there was an ongoing OEB consultation on pole attachment charges and the OEB had issued a Draft Report of the Board on the Framework for Determining Wireline Pole Attachment Charges. The Board noted that the outcome of that consultation could affect the evidence in the current proceeding and indicated Hydro One's request regarding pole attachment charges would be considered at a later time, after the final OEB report had been issued.
3. As counsel for VECC, I am writing in response to Procedural Order No. 6 for submissions from parties on the appropriate process related to the pole attachment issue now that the Board has issued of the Report of the Ontario Energy Board, Wireline Pole Attachment Charges (EB-2015-0304).
4. Section 4 of the Board's Wireline Pole Attachment Charges Report deals with the implementation of the OEB's new wireline pole attachment framework and specifically states:

The OEB has determined that it is in the public interest to set a province-wide wireline pole attachment charge of \$43.63. However, the charge will not be effective the first of the

Benjamin Dean Segel-Brown Professional Corporation

Tel: 613-864-6322. E-mail bsegel-brown@piac.ca.

1204-ONE Nicholas Street, Ottawa, ON K1N 7B7 Fax: 613-562-0007

month following the issuance of this Report (as proposed in the draft report). As a transitional measure, to mitigate the impact of the increase from the current \$22.35 to the new \$43.63, LDCs without an LDC-specific charge will charge a province-wide pole attachment charge of \$28.09 from September 1, 2018 to December 31, 2018. The \$28.09 was calculated by escalating the current \$22.35 by the OEB's annual inflation factor to cover the period 2005 to 2018. The charge will increase to \$43.63 effective January 1, 2019.

The charge will apply to all LDCs that do not have a specifically approved OEB charge in place. The wireline pole attachment charge will be adjusted annually based on the OEB's inflation factor beginning in 2020 (although the \$43.63 represents 2018 dollars, there will be no inflationary adjustment for 2019).¹

At the time of rebasing, LDCs may choose to select the provincially approved charge or to use utility specific costs and pursue an LDC-specific pole attachment charge that better reflects their cost structures, using the OEB's updated methodology. LDCs that choose to apply for a custom charge will be required to submit specific inputs from sub-accounts and file the OEB workform. The OEB's filing requirements and guidelines will provide additional details.²

5. Hydro One's current pole attachment rate is a specifically approved OEB charge and its EB-2017-0049 Application is a "rebasement application" such that the last of the three paragraphs referenced above applies. However, Hydro One's current pole attachment charge proposal is not in accordance with the OEB's updated methodology. As result, it is VECC's submission that there are two options for dealing with the issue, either a) Hydro One can accept the provincially approved rate for the period of its Custom Incentive Regulation application or b) it can update its proposed new pole attachment charge and supporting evidence consistent with the OEB's update methodology contained in the Wireline Pole Attachment Charges Report. Furthermore, consistent with the Board's Report, the choice as to which option is Hydro One's.
6. As a first step, the Board should require Hydro One to indicate which of the two options it elects to choose.
7. VECC's preference would be for Hydro One to elect to set an LDC-specific pole attachment charge and file the requisite evidence. However, in such an event, parties should have the opportunity to test that evidence, file responding evidence if they feel that is necessary. As the time requirements for such activities are not compatible with the schedule established by the Board for the balance of Hydro One's application, addressing an LDC-specific proposal by Hydro One would require a separate time track. There may be significant dispute with regard to what it means to apply the OEB's revised methodology. For example, if vegetation management was excluded from the provincial charge due to variation in how it is implemented and paid for between LDC's, it is

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unclear if vegetation management should still be included in a LDC-specific charge where this concern does not apply.

8. Should Hydro One elect to use the provincially approved rate, there will still need to be an opportunity to make submissions regarding the implementation of that rate in the context of HONI. Specifically, given Hydro One's current rate is \$41.28, there is no need for a \$28.09 rate to smooth the transition to \$43.63 effective January 1 2019.
9. Those are our respectfully submissions.

Yours truly,

Ben Segel-Brown

Counsel for VECC

Cc: Distribution List

Benjamin Dean Segel-Brown Professional Corporation

Tel: 613-864-6322. E-mail bsegel-brown@piac.ca.

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