Ontario

ONTARIO ENERGY BOARD

OEB Staff Report to the Registrar

Erie Thames Powerlines Corporation

2018 Cost of Service Application

Proportionate Review Pilot

EB-2017-0038

March 14, 2018

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1. The Purpose of the Report

Erie Thames Powerlines Corporation (ETPL) filed a cost of service application on September 15, 2017 for rates effective May 1, 2018. The purpose of this OEB staff report to the Registrar (the Report) is to provide an assessment of ETPL's 2018 cost of service application, for the purpose of identifying issues that should be considered for hearing and the process for the hearing.

With ETPL's consent, the 2018 rebasing application is being used to pilot and test the OEB's proportionate review approach. The objective of this approach is to establish a process whereby OEB staff's initial assessment of an application is leveraged to identify which issues require rigorous testing, and which requests can be accepted as filed having met the OEB's expectations in terms of completeness and quality of information provided, materiality of costs involved, and performance achieved in the subject areas.

OEB staff used a number of different tools and analysis techniques to develop a recommendation for the appropriate process that the OEB should use to address the requests set out in the application. While this is termed a "pilot", it is in fact a formal component of the OEB's review process for this application.

2. The Applicant

ETPL serves approximately 18,500 customers in the municipalities of Port Stanley, Aylmer, Belmont, Ingersoll, Thamesford, Otterville, Norwich Burgessville, Beachville, Embro, Tavistock, Mitchell, Dublin and Clinton. The largest community served by ETPL is Ingersoll which has a population of nearly 13,000. The total service area is approximately 120 km. ETPL's most recent rebasing application was for 2012 rates[1].

ETPL is a fully embedded distributor that receives electricity at distribution level voltages from Hydro One Networks Inc. (Hydro One). Therefore, it is charged by Hydro One for low voltage distribution services. ETPL also has Hydro One as an embedded distributor within its service territory at four locations and charges Hydro One embedded distributor rates for these four embedded points.

ETPL is entirely owned by ERTH Corporation, which in turn is owned by eight municipal shareholders, each of which has equal representation on the ERTH Board of Directors and equal voting power. ERTH Corporation also owns ERTH Limited which in turn owns ERTH Business Technologies, ERTH Holdings Inc. and J-Mar Line Maintenance Inc.

[1] EB-2012-0121

OEB staff notes that on January 23, 2018, ETPL and West Coast Huron Energy Inc. filed a MAADs application seeking the relief necessary to amalgamate into a single LDC that will serve approximately 23,000 customers. The MAADs application requests a nine-year rebasing deferral period, which is within the range allowed by the OEB's MAADs policy. It is currently under review for completeness by the OEB. Although the MAADs application has not yet been accepted or approved by the OEB, in preparing this Report, OEB staff was aware that this application may be the last opportunity to review ETPL's cost proposals before the amalgamation.

3. The Assessment Tools

OEB staff used a variety of assessment tools to evaluate ETPL's 2018 cost of service application. The evaluation, using the following tools, is the basis for OEB staff's recommendation with respect to the issues to be heard and the appropriate process that the OEB should apply to address the requests set out in the application.

Community Meeting and Letters of Comment – The OEB held a community meeting in Ingersoll, Ontario to allow customers of ETPL to learn about the application, ask questions and provide their comments. The comments received from ETPL's customers form part of OEB staff's overall consideration of the application. OEB staff filed a report on February 26, 2018, summarizing the discussion at the community meeting.

The Initial Triage Model (ITM) – The ITM includes: (a) a historical Comprehensive Performance Assessment Model (CPAM); (b) a Quantitative Assessment of key metrics arising from the requests in the application; and (c) a Qualitative Assessment of the supporting evidence for the requests in the application. The ITM has been developed in draft form by OEB staff to provide an indicator as to whether a streamlined review could be considered for an application, and guides OEB staff's attention to areas of the application which should be explored further in an effort to identify discrete issues that may require rigorous testing.

As the ITM is still under development, it was not a significant factor in OEB staff's final recommendations. Using the ITM as part of staff's review for this pilot was an opportunity to begin to evaluate the relevance and value of the model.

OEB Staff Detailed Review – OEB staff undertook a detailed review of all aspects of the application including the supporting models filed with the application. The purpose of the review was to provide the applicant with the opportunity to rectify any errors and inadvertent non-alignment with OEB policy, and address any areas where the record was insufficient, as well as to determine which issues may require a hearing.

In the future, OEB staff expects to utilize information that may arise from current initiatives under way to establish expectations for corporate governance and enhanced unit and program based benchmarking.

4. The Process

OEB staff started its review of the application by using the ITM. As noted above, the ITM is intended to provide an initial indicator of whether an application might be a good candidate for a streamlined review and to guide staff's attention to areas of the application that may require adjudication.

After reviewing the results of the ITM, OEB staff performed a detailed review of the application. OEB staff reviewed all aspects of the application and the supporting models. OEB staff held conference calls with ETPL on November 7, 2017 and December 12, 2017 to discuss the application and sent written questions to ETPL on January 29, 2018. ETPL responded to OEB staff's written questions on February 12, 2018.

OEB staff reviewed the responses to the written follow-up questions. In ETPL's responses to both the initial and follow-up questions, it stated that it would file updates to its application to address errors and to reflect the best available information.

OEB staff notes that the effect of the process outlined above is that OEB staff is able to recommend to the Registrar a reduction in the number of areas where a traditional written hearing process is required. The informal discussions with the applicant and the written responses to questions arising from these discussions provided by the applicant have been a significant factor in achieving this tighter focus as will be evident from OEB staff's recommendations in subsequent sections of this report.

ETPL filed its updated application on March 1, 2018. OEB staff reviewed the updated application to confirm that all of the updates were properly reflected.

OEB staff notes that one concern which it had raised with ETPL was that the numbers in the application as originally filed were not always internally consistent with one another. While OEB staff notes that ETPL has attempted to address this matter, it does not appear to have been entirely dealt with in the revised application. For instance in the Overview section of the revised application, the test year OM&A is shown as $6,468,593[2] while in the OM&A section, it is shown as $6,456,768.[3] OEB staff has used the numbers in the specific sections of the application rather than those in the Overview, where there are differences.

All written correspondence between OEB staff and ETPL is available on the public record for this proceeding, along with the original and revised applications filed by ETPL.

In addition, OEB staff attended a community meeting held in Ingersoll, Ontario on December 12, 2017. A summary of the community meeting is available on the public record of this proceeding.

[2] E1/T5/S1/p. 7
[3] E4/T1/S4/p.1

5. Application Summary

Date of application: September 15, 2017 (Updated March 1, 2018)

Effective date requested: May 1, 2018

ETPL's 2018 cost of service application as filed has the following key features:

- Request for approval to charge rates effective May 1, 2018 to recover a service revenue requirement of $10,930,285, including a gross revenue deficiency (at existing rates) of $315,992. This reflects a $946,788 increase (9.5 percent) relative to the 2012 service revenue requirement ($9,983,497) approved in ETPL's last rebasing.

- Proposed capital expenditures of $3,242,950 for 2018. This is a $402,950 increase (14 percent) relative to the 2012 approved capital expenditures ($2,840,000) approved in ETPL's last rebasing.

- Proposed Operations, Maintenance & Administration (OM&A) budget of $6,456,768 for 2018. This is a $796,174 increase (14%) relative to the 2012 approved OM&A budget ($5,660,594) approved in ETPL's last rebasing. The actual 2012 OM&A expenditure was $4,855,139, which is $805,455 or 17 percent lower than the OEB approved level.

- A Distribution System Plan (DSP).

- Request for approval of the proposed load forecast.

- Request for approval to continue applying the specific service charges as previously approved by the OEB.

- Request to establish a stand-by rate for one customer.

- Request for approval of the proposed loss factor.

- Request for approval to dispose of specified deferral and variance account balances.

ETPL retained the following assistance for the development and processing of its 2018 rates application:

Legal and Consulting: Scott Stoll, Partner, Aird & Berlis LLP

Other Consultants: Costello Utility Consultants (DSP only)

Summary of 2018 Cost of Service Application

	Original Application	Revised Application	Variance	Reason
Net Fixed Assets	$35,142,814	$35,041,919	-$100,895	TBD – likely accounting changes
Working Capital Allowance	$5,153,240	$5,153,240	$0	Unchanged
Total Rate Base	$40,296,054	$40,195,158	-$100,896	TBD – likely accounting changes
Long-Term Debt Ratio	56%	56%	0%	Unchanged
Short-Term Debt Ratio	4%	4%	0%	Unchanged
Equity Ratio	40%	40%	0%	Unchanged
Long-Term Debt Cost (%)	3.72%	4.16%	0.44%	2018 Update
Short-Term Debt Cost (%)	1.76%	2.29%	0.53%	2018 Update
Return on Equity (%)	8.78%	9.00%	0.22%	2018 Update
Weighted Cost of Capital (%)	5.67%	6.02%	0.35%	2018 Update
Total Cost of Capital ($)	$2,283,013	$2,420,231	$137,218	2018 Update
OM&A	$6,468,593	$6,468,593	$0	Unchanged
Depreciation	$1,842,780	$1,842,780	$0	Unchanged
Property and Other Taxes	-	-	$0	Unchanged
PILs	$190,777	$198,681	$7,904	Mainly higher cost of capital
Other Expenses	$2,283,013	$2,420,231	$137,218	Mainly higher cost of capital

Service Revenue Requirement	$10,785,163	$10,930,285	$144,922	Mainly higher cost of capital
Other Revenue	$494,448	$494,448	$0	Unchanged
Base Revenue Requirement	$10,290,716	$10,435,837	$145,121	Mainly higher cost of capital
Gross Revenue Deficiency	$170,871	$315,992	$145,121	Mainly higher cost of capital

Bill Impacts

The bill impacts arising from ETPL's revised 2018 rebasing application, while under 10% on a total bill basis, are not insignificant[4]. OEB staff's analysis of the bill impacts is set out later in the Report.

	Sub Total A		Sub Total C		Total Bill	
	$	%	$	%	$	%
Residential 750 kWh	2.40	7.92	2.27	5.06	2.34	2.04
Residential 233 kWh	4.10	16.15	4.06	13.34	4.26	7.98
GS < 50 kWh, 2,000 kW	0.12	0.23	-0.21	-0.24	-0.96	-0.34
GS 50 to 999 kW	-88.38	-20.17	148.10	12.45	71.72	0.67
GS 1,000 to 4,999 kW	-1793.00	-22.97	-563.71	-2.90	-1832.46	-1.32
Large Use	-3371.55	-9.95	11014.52	10.78	26563.48	4.04
USL	-6.32	-31.06	-6.51	-26.86	-7.36	-15.36
Sentinel	5.86	27.55	4.66	17.90	5.26	10.53
Street Lighting	-7.74	-28.11	-6.18	-16.05	-7.02	-5.26
Embedded Distributor	-2340.52	-46.41	-4745.76	-40.87	-5347.50	-32.46

Sub-total A: Distribution excluding pass through
Sub-total C: Delivery

[4] Residential 233 kWh is included as the average monthly consumption customers at the 10th percentile. See E8/T1/S4. p.1

Policy Matters

Modified International Financial Reporting Standards (MIFRS)

ETPL filed its 2018 application on the basis of IFRS. ETPL adopted IFRS for financial reporting purposes in 2015 and have filed the various schedules under IFRS from 2014 onwards.

Distribution System Plan (DSP)

ETPL submitted a DSP, which was reviewed by Costello Utility Consultants which confirmed that it addressed the performance outcomes identified by the OEB, that the work planned for the forecast period reflects the condition of the assets, the risks they pose to safety and reliability, a reasonable assumption of system and load growth and the preferences of customers and that appropriate performance metrics are in place.

Conservation and Demand Management

ETPL is seeking the disposition of a LRAMVA balance of $359,498 based on the draft verified results provided by the IESO on July 31, 2016. No further changes to actual savings underpinning the LRAMVA balance were made by ETPL after the final verified results were filed on March 1, 2018. The LRAMVA balance was subsequently revised to $360,312 to incorporate increases in the carrying charges due to corrections to the interest rate used for Q4 2017 and Q1 2018.

Low Income Energy Assistance Program (LEAP).

ETPL requested $12,942 for 2018 LEAP funding, based on 0.12% of its service revenue requirement.

6. Summary of OEB Staff's Recommendations

OEB staff is of the view that ETPL filed an application that while deficient in some key areas, does provide sufficient rationale to preclude the need for discovery or submissions in a number of areas. On the basis of its review of the application, OEB staff has divided the application into three recommended levels of further review: (1) Those areas OEB staff believes should be subject to a full hearing process which includes further discovery, (2) those areas OEB staff believes do not require additional discovery and can be dealt with through a submission process, and (3) those areas which OEB staff believes do not require a hearing. OEB staff believes that a written hearing should be sufficient for the two sets of items recommended for a hearing.

Areas Where a Full Hearing Process is Recommended

- Rate Base and Capital Expenditures
- Operating Costs

- Cost of Long-Term Debt, but not other areas of Cost of Capital
- Cost Allocation: Revenue-to-cost ratios and standby rate proposal
- Deferral and Variance Accounts, except LRAMVA

Areas Which Can Be Dealt with through a Written Submission Process

- Load Forecast and Other Revenue
- Revenue Sufficiency/Deficiency
- Cost Allocation: Other than areas noted above
- Rate Design: Bill Impacts and other areas, except those noted below

Areas Which May Not Require Any Further Process

- Cost of Capital, other than cost of long-term debt
- Retail Transmission Service Rates
- Regulatory Charges
- Specific Service Charges
- Retail Service Charges
- Loss Adjustment Factors
- Lost Revenue Adjustment Mechanism (LRAMVA)

OEB staff's detailed analysis which supports the recommendations discussed above are set out in the section that follows.

7. OEB Staff's Detailed Analysis

The detailed analysis that follows supports OEB staff's recommendations as to the approaches that should be used to deal with the issues in this application.

7.1 Community Meeting and Letters of Comment

A community meeting was held in Ingersoll, Ontario on December 12, 2017. Approximately 12 customers attended the meeting to hear presentations from ETPL and OEB staff. Meeting participants asked questions and made comments.

Generally, community meeting participants asked questions and made comments related to the following topics:

- ETPL's distribution rates being higher than most other utilities in south-western Ontario

- Even if the total bill increase is small, the distribution rate increase could be significant for some customers
- Potential for cross-subsidization from ETPL to other companies in the ERTH group
- Cost of new connections
- Lack of information about the potential for a merger with Goderich Hydro
- Concerns with the functionality of the new website and whether or not it was value for money.

OEB staff notes that the concerns raised by customers at community meetings (and through letters of comment) are used to guide OEB staff's view of the applicant and the application. Comments from customers informed OEB staff's recommendations that are made based on OEB staff's detailed review of the application. Given customer comments in this case and ETPL's specific circumstances, OEB staff paid particular attention to the potential for cross-subsidization from ETPL to other companies in the ERTH group and the consequent impact on rates.

In the Report, OEB staff has provided its analysis of this matter and the bill impacts resulting from the application, which were issues that were specifically discussed at the community meeting.

7.2 Initial Triage Model

ETPL had adequate scores in many categories of the ITM. ETPL's application had adequate scores on qualitative and quantitative metrics with the exception of the three year OM&A increase, which is discussed in the relevant section below. ETPL's past performance was measured based on the CPAM using five years of historical data for the scorecard measures, and their overall trends. ETPL's past performance has been generally average relative to other distributors as it has been in the Group 3 cohort since 2015.

OEB staff notes that the results of the ITM were used to guide OEB staff's review of the applicant and the application. However, as noted earlier, the results of the ITM were not determinative in forming OEB staff's recommendations related to this application. OEB staff's detailed review of the application was the main source for the recommendations in the Report.

7.3 OEB Staff Detailed Review

OEB staff performed a detailed review of the OEB's most recent ETPL rebasing decision, ETPL's past performance, and the 2018 rebasing application.

The information provided regarding ETPL's application and the related recommendations are based on the revised application filed by ETPL on March 1, 2018. ETPL updated its originally filed application to correct for technical errors that were made in the original application and to make some changes to reflect the most up-to-date information (e.g. cost of capital). However, as noted earlier, not all the numbers in the revised application appear to be internally consistent with one another.

OEB staff also considered ETPL's responses to its questions in its detailed review of the application. Not all responses led to changes in the application. However, these responses provided OEB staff additional insight with respect to the application.

7.3.1 ETPL's Recent Rebasing

As noted previously, ETPL's most recent rebasing application was for 2012 rates[5]. That had been the first application filed since the amalgamation of ETPL with West Perth Power Inc. and Clinton Power Corporation.

This proceeding resulted in a complete settlement proposal. Three parties were granted intervenor status (Energy Probe, the School Energy Coalition and the Vulnerable Energy Consumer Coalition). The key findings of the OEB in ETPL's last rebasing proceeding were as follows:

- A slight increase in rate base from the filed level due to the exclusion of stranded meters and inclusion of smart meters
- Working capital allowance lowered from 15 percent to 13 percent
- Capital expenditures accepted as filed
- Requested OM&A slightly reduced.

ETPL filed rebasing deferral requests for both 2016 and 2017 cost of service filings which were accepted by the OEB.

Previous OEB Decision on Rebasing

The OEB's decision with respect to ETPL's 2012 rebasing application flagged no major concerns. The OEB accepted a full settlement which was reached by parties. There were also no directives established that ETPL was required to address as part of the current application.[6]

[5] EB-2012-0121
[6] EB-2012-0121

Recommendation:

There are no direct recommendations arising from OEB staff's review of the OEB's decision in ETPL's most recent rebasing. The review of the previous rebasing decision is used to flag any issues that could have persisted into the current application and ensure that all directives have been properly addressed.

OEB staff found no major persisting issues and there were no directives set out in the OEB's previous rebasing decision.

7.3.2 Incentive Ratemaking and Financial Performance

ETPL's applications during the 2014-2017 period were filed under the OEB's Incentive Ratemaking Mechanism (IRM) framework for electricity distributors. In accordance with the IRM framework, electricity distributors are subject to stretch factors ranging from 0.0% to 0.6%, depending on a distributor's cost evaluation ranking.

ETPL had a stretch factor of 0.6% in 2013, 0.45% in 2014 and 0.30% for 2015 to 2017.

The table below shows ETPL's financial ratios from 2012-2016 (left to right).

Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)		0.78	0.75	0.58	0.85	0.88
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio		1.23	1.19	1.05	1.59	1.55
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.12%	9.12%	9.12%	9.12%	9.12%
			Achieved	8.43%	11.80%	10.63%	9.39%	9.33%

OEB Staff Analysis: IRM and Financial Performance

ETPL was classified in the Group 3 cohort throughout its most recent IRM period. This means that its actual costs are within 10% (either positive or negative) of its predicted, which is considered an average cost evaluation ranking when compared to other distributors in Ontario.

While ETPL's liquidity ratio fell to 58% in 2014, it was in the 0.85 to 0.88 range in 2015 and 2016. ETPL attributed this improvement to restructuring its debt to move more of it from short-term to long-term A 0.88 liquidity ratio is not considered serious as it is very close to the expected 1.0.

ETPL's actual debt to equity ratio rose from 1.05 in 2014 to 1.59 due to the issuance of the long-term debt discussed above. ETPL states in its evidence that the 1.59% 2015 ratio demonstrates alignment with the OEB's deemed 60% debt ratio.

Finally, ETPL's achieved return on equity (ROE) has been above the OEB's deemed level for the 2013 to 2016 period – in 2016 it was 21 basis points higher. In all cases the over achievement was within the 300 basis point deadband that could trigger a regulatory review.

OEB staff identified no substantive issues related to ETPL's historical financial performance. No flags are raised by the financial ratios and the related discussion provided by ETPL in its scorecard reporting.

OEB staff also notes that the results of the cost benchmarking model filed with ETPL's 2018 application, which serves as a directional indicator of efficiency, is that ETPL is forecast to remain in Group 3. This gives an average ranking on the forecast test year cost efficiency metric in the ITM. This raises the issue as to whether ETPL has put adequate plans in place to improve its performance going forward. In its review of ETPL's OM&A and capital costs, OEB staff considered areas for cost efficiency improvements that may position ETPL to improve its ranking in future.

Recommendation:

There are no direct recommendations arising from OEB staff's review of ETPL's historic IRM-related benchmarking and past financial performance nor its forecast of test year cost efficiency. OEB staff observes that distributors should generally be targeting improved performance over time and OEB staff considered this, as well as the historical information and the benchmarking results in its assessment of the applicant and the application.

7.3.3 Customer Engagement

ETPL stated that it communicates with its customers on a regular basis through a variety of channels, including but not limited to customer satisfaction surveys, town hall meetings, MyAccount – the customer web portal, continuous website updates and regular bill inserts.

ETPL further stated that it has active Facebook and Twitter accounts that are used to keep customers informed of outages (planned or otherwise), Conservation and Demand Management programs, safety awareness tips, and regulatory notifications.

ETPL stated that customer engagement and communication is necessary to ensure it is providing the level of service expected by its customers. ETPL noted that in all aspects of its customer engagement, it heard from its customers that maintaining reliability levels and keeping cost increases to a minimum should be its focus. ETPL stated that consequently, it had chosen to minimize its costs for customer engagement and surveys by utilizing Survey Monkey and questionnaire frameworks readily available. ETPL stated that it did research utilizing a professional customer engagement firm, however, it was determined that these costs were excessive ($65,000 to $70,000) for a utility of 16,000 residential customers.

ETPL stated that in early 2017, it had hosted three Town Hall meetings (one in each service region), to provide customers an opportunity to meet senior management and ask questions about various aspects of the business. ETPL stated that 65 customers in total attended the three meetings. At these meetings, ETPL staff gave presentations with regards to the upcoming cost of service Application, to help customers better understand the rate application process and the expected minimal impact. The intent was also to provide customers with a better understanding of the industry, their bills, and their options including conservation and programs to help offset electricity costs.

ETPL further stated that customers were presented with ETPL's options and plans for capital and OM&A spending for the period 2018-2022, the impact on rates as well as a review of historical reliability statistics. Based on this information ETPL then presented the proposed rate impact to the customers. At the time of these presentations ETPL approximated a 1% increase in rates for a typical residential customer in 2018. ETPL asked customers in attendance to complete a questionnaire after the presentation in which 91% of those that responded felt that both CAPEX and OM&A spending were appropriate as ETPL had proposed them.

ETPL also cited other customer engagement efforts which it had undertaken. In May 2015 the Norwich BIA hosted ETPL and local business in a discussion of the reliability of the electrical service that the community and specifically the business district had been experiencing To better understand customers' expectations of ETPL, customer surveys were issued in 2014 and 2016. The goal of these surveys was to help ETPL in planning future activities such as communication channels and investment opportunities. The latest survey showed ETPL customers were 89% satisfied with ETPL's performance on a variety of measures. In particular, customers indicated that improvements could be made to better communicate planned outages as well as education about payment options and a general understanding of their bills.

OEB Staff Analysis: Customer Engagement

OEB staff notes that ETPL held three town hall meetings related to the current application in early 2017 and customers in attendance that completed a questionnaire supported at a 91% level the CAPEX and OM&A spending proposed by ETPL. In addition, as noted above ETPL completed customer surveys in 2014 and 2016.

OEB staff is not convinced that the customer engagement activities undertaken by ETPL in advance of filing its rates application were ideal. While the town hall meetings and surveys are helpful in determining the preferences of customers, more interactive customer engagement is necessary. OEB staff believes that customers should be provided with more specific information about the trade-offs between proposed expenditures and related rate increases and the engagement process should also be more interactive during the development process of the application. OEB staff is also of the view that customer engagement activities should include substantial educational components.

Recommendation:

OEB staff considered ETPL's customer engagement activities and customer preferences in the context of its review of the planned expenditures proposed by ETPL throughout its application. OEB staff has identified both OM&A and capital spending as areas that it believes should be heard by the OEB (as discussed in more detail later in the Report). One of the factors which influenced OEB staff's view that both these areas should be heard by the OEB is the minimal nature of the customer engagement undertaken by ETPL. OEB staff is mindful of ETPL's concerns about the cost of customer engagement, but believes that it is important that customers be appropriately engaged before cost of service applications are filed with the OEB, which in any event are only required every five years. OEB staff further notes that should ETPL's proposed merger be approved, it will not be expected to be back with another cost of service application for nine years.

While OEB staff does not suggest that customer engagement be included as a distinct issue in the hearing, the spending proposals in the application are not supported by significant engagement of customers. In advance of ETPL's next cost-based application, OEB staff expects that ETPL will undertake customer engagement activities that are more comprehensive and interactive. OEB staff will monitor this issue at the time of ETPL's next rebasing application.

7.3.4 Rate Base

ETPL proposed a 2018 rate base of $40,195,158, with Net Fixed Assets of $35,041,919 and a working capital allowance of $5,153,240. The working capital allowance is based on 7.5 percent of cost of power (COP) plus controllable OM&A.

ETPL provided the following summary of its Rate Base:

Description	2012 Board Approved	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Bridge	2018 Test
Accounting Standard	CGAAP	CGAAP	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
Gross Fixed Assets	$ 41,263,081	$ 40,110,141	$ 43,431,563	$ 30,343,038	$ 33,939,131	$ 35,830,129	$ 39,380,042	$ 41,001,517
Accumulated Depreciation	-$ 14,833,530	-$ 16,053,187	-$ 17,249,204	-$ 1,317,154	-$ 2,496,284	-$ 2,885,788	-$ 4,680,206	-$ 5,959,599
Net Book Value	$ 26,429,551	$ 24,056,954	$ 26,182,359	$ 29,025,884	$ 31,442,847	$ 32,944,341	$ 34,699,836	$ 35,041,919
Total Working Capital	$ 38,753,300	$ 49,803,212	$ 54,043,184	$ 55,502,890	$ 59,856,474	$ 66,093,183	$ 69,585,594	$ 68,709,864
Working Capital Allow. Factor	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	7.5%
Working Capital Allowance	$ 5,037,929	$ 6,474,418	$ 7,025,614	$ 7,215,376	$ 7,781,342	$ 8,592,114	$ 9,046,127	$ 5,153,240
Rate Base	$ 31,467,480	$ 30,531,371	$ 33,207,973	$ 36,241,260	$ 39,224,189	$ 41,536,455	$ 43,745,963	$ 40,195,158

The proposed rate base for the 2018 Test Year reflects an increase of $8,727,678 from the 2012 OEB-approved amount (28%).

Working Capital

ETPL calculated its Working Capital Allowance (WCA) using the 7.5% allowance approach as per the Filing Requirements. The WCA is $5,153,240, which is an increase of $115,311 or 2.3% from the 2012 OEB approved level of $5,037,929. The magnitude of this change is impacted by the 7.5% WCA that is being requested in the current application versus the 13.0% that was approved in the previous application due to the OEB's policy change in this area.

OEB Staff Analysis: Rate Base

ETPL's proposed 2018 rate base is $40.2 million compared to the 2012 approved rate base of $31.5 million (an increase of $8.7 million or 28 percent). The 2012 OEB-approved level was four percent higher than the actual level. Net fixed assets have increased by $8.6 million from $26.4 million (2012) to $35.0 million (2018). Working capital has decreased by $0.1 million from $5.04 million (2012) to $5.15 million (2018) based on a working capital rate of 7.5%.

OEB staff has a number of concerns in this area.

The first relates to the WCA. First, OEB staff notes that a 13 percent WCA is shown in the above table for all years up to 2017, even though OEB policy revised this amount to 7.5% in June 2015. OEB staff notes that in calculating a notional rate base for 2015 to 2017 for comparative purposes, 7.5 percent should have been used, but this is not an issue that needs to go to hearing. Second, the COP is based on the OEB's November 2016 price. ETPL stated that this would be updated should a new price be determined before the OEB's decision, but ETPL stated that it was not using FHP prices as these are transitory in nature.

OEB staff has, as noted earlier, had discussions with ETPL and asked questions seeking clarifications of aspects of the application in order to confirm that it is internally consistent. Where rate base is concerned, a number of apparent discrepancies between the application and the related appendices were identified and not all of these were resolved through the referenced discussions and responses to questions. These discrepancies impact the opening rate base in the test year. In addition, further explanation is required as to why net book value would be impacted by the removal of fully amortized assets, why material burden has not been allocated since 2013 and whether ETPL's accounting treatment of customer contributions is correct.

Recommendation:

OEB staff believes that the rate base issue should be subject to a full hearing both because of the concerns discussed above and those that will be discussed in the subsequent DSP/capital expenditures sections. OEB staff also believes that this area requires further discovery due to its interrelationship to the OM&A issue which, as will be subsequently discussed, OEB staff believes also requires a full hearing process. One key link relates to the high level of growth in administrative costs which will have an impact on capital project overhead loadings, not withstanding the relatively modest capital expenditure forecast.

As such, OEB staff believes that ETPL's proposed rate base should be tested through a full hearing process. The two specific issues listed below the general issue are matters OEB staff has identified as requiring further investigation. OEB staff believes that other issues in this area may also arise as the discovery process moves forward.

General Issue:

Is the rate base element of the revenue requirement reasonable, and has it been appropriately determined in accordance with OEB policies and practices?

Within the context of this general issue, OEB staff has identified the following specific concerns:

1. Has ETPL calculated the opening adjustments to its rate base for changes in capitalization and depreciation policies and for IFRS-related adjustments correctly and in accordance with OEB policy?
2. Is ETPL's use of the cost of power based on the OEB's November 2016 price appropriate? ETPL proposed to update the November 2016 cost of power should a new price be determined before the OEB's decision but not to use Fair Hydro Plan prices as these are transitory in nature.

In addition, depending on the OEB's decision with respect to certain other issues, consequential changes may be required to the test year rate base amount (due to potential issues with the test year capital expenditure budget and the test year OM&A expenditures which impact the working capital allowance).

7.3.5 Distribution System Plan and Capital Expenditures

ETPL submitted a Distribution System Plan (DSP), which was reviewed by Costello Utility Consultants. The latter confirmed that it addressed the performance outcomes identified by the OEB, the work planned for the forecast period reflected the condition of the assets, the risks they pose to safety and reliability, a reasonable assumption of system and load growth and the preferences of customers and that appropriate performance metrics are in place.

The DSP evidence was presented on a stand-alone basis, and followed the sequence and format of Chapter 5 of the OEB's Filing Requirements. The specific investment drivers for each category are described below.

System Access - ETPL's second-largest capital expenditure category, representing 24.3% of the total planned capital expenditures during the five-year forecast period, down slightly from the historical average of approximately 30% of capital. These expenditures are driven primarily by new customer connections, metering management in the form of upgrades and replacements, and facility relocations. System Access expenditures are planned to decrease over the five-year forecast period as a result of improved communications with municipalities and corresponding decreases in facility relocation requests.

System Renewal - System renewal comprises the bulk of ETPL's capital expenditures, representing an increase from the historical level of about half of total capital to an average of 63.9% of capital expenditures over the forecast period. These expenditures are mainly driven by the refurbishment and replacement of assets that are near or at the end of their useful lives. Such projects include pole and switchgear replacement programs, infrastructure rebuild projects and reactive replacement programs of overhead and underground equipment.

System Service - System service expenditures comprise 2.1% of the total five-year expenditure forecast and are driven by a number of system automation projects pertaining to Supervisory Control and Data Acquisition (SCADA), Outage Management System (OMS), and automated switches.

General Plant - ETPL's third largest capital investment category representing 9.7% of the total planned expenditures. This category is primarily driven by fleet sustainment, tool and equipment additions and IT upgrades. Since the merger with West Perth Power and Clinton Power in 2010, ETPL has made investments to bring its fleet to an optimal level, and as a result, ETPL plans to scale back its General Plant spending while still maintaining a capable fleet.

ETPL proposes total capital expenditures in 2018 of $3,242,950, which is a $402,950 increase (14 percent) relative to the 2012 approved capital expenditures ($2,840,000) approved in ETPL's last rebasing, but a decrease of $373,094 (or 10%) from 2012 actuals. The following table provides ETPL's historical and forecast (2012-2022) capital expenditures.

	5 - Year Historic Actual Expenditures					Bridge Year	5 - Year Forecast Expenditures				
Category	**2012 $,000**	**2013 $,000**	**2014 $,000**	**2015 $,000**	**2016 $,000**	**2017 $,000**	**2018 $,000**	**2019 $,000**	**2020 $,000**	**2021 $,000**	**2022 $,000**
System Access	930	758	1,420	1,317	983	734	820	860	753	756	760
System Renewal	2,223	789	2,298	1,830	1,405	1,734	2,202	2,062	1,967	2,229	1,939
System Service	214	42	4	64	188	433	90	90	55	55	55
General Plant	250	572	332	763	674	649	131	220	474	224	526
Total Capital:	**3,617**	**2,161**	**4,054**	**3,974**	**3,250**	**3,550**	**3,243**	**3,232**	**3,249**	**3,264**	**3,280**

Costello Associates confirmed that the DSP addressed the four performance outcomes identified by the OEB, specifically, customer focus, operational effectiveness, public policy responsiveness and financial performance.

The tables below highlights ETPL's historical reliability statistics:

Index	Including outages caused by loss of supply					Excluding outages caused by loss of supply					Excluding Major Event Days				
	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016
SAIDI	2.560	1.230	2.210	3.850	3.960	1.470	0.410	0.590	0.730	1.880	1.470	0.410	0.590	0.730	3.000
SAIFI	0.820	0.510	0.910	1.050	1.130	0.310	0.200	0.300	0.480	0.470	0.310	0.200	0.300	0.480	0.740

5 Year Historical Average

	Including outages caused by loss of supply	Excluding outages caused by loss of supply	Excluding Major Event Days
SAIDI	2.762	1.016	1.240
SAIFI	0.884	0.352	0.406

SAIDI = System Average Interruption Duration Index
SAIFI = System Average Interruption Frequency Index

The table below highlights ETPL's historical service quality statistics (note that as there were no missed appointments, none needed to be rescheduled):

Indicator	OEB Minimum Standard	2012	2013	2014	2015	2016
Low Voltage Connections	90.0%	98.8%	98.8%	99.4%	98.4%	99.6%
High Voltage Connections	90.0%	n/a	n/a	n/a	n/a	n/a
Telephone Accessibility	65.0%	94.6%	95.8%	95.5%	98.4%	98.4%
Appointments Met	90.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Written Response to Enquires	80.0%	100.0%	98.8%	98.6%	100.0%	100.0%
Emergency Urban Response	80.0%	90.5%	100.0%	100.0%	100.0%	100.0%
Emergency Rural Response	80.0%	n/a	n/a	n/a	n/a	n/a
Telephone Call Abandon Rate	10.0%	6.2%	4.2%	4.4%	1.6%	1.6%
Appointment Scheduling	90.0%	100.0%	100.0%	94.5%	95.8%	99.2%
Rescheduling a Missed Appointment	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Reconnection Performance Standard	85.0%	100.0%	100.0%	100.0%	100.0%	100.0%

OEB Staff Analysis: DSP and Capital Expenditures

DSP

OEB staff reviewed ETPL's DSP and capital expenditure proposals by considering the rationale for planning and pacing choices and whether projects were adequately explained, giving due consideration to:

- customer feedback and preferences;

- productivity;
- compatibility with historical expenditures;
- compatibility with applicable benchmarks;
- reliability and service quality;
- impact on distribution rates;
- trade-offs with OM&A spending;
- government-mandated obligations;
- the objectives of ETPL and its customers; and
- the five-year Distribution System Plan.

OEB staff has some concerns with ETPL's DSP. OEB staff notes that while the DSP is supported by a detailed asset management plan, this plan is two years old. In addition, ETPL states in the DSP that the level of system renewal spending which it is proposing is much lower than the asset management plan proposes, which raises potential concerns about its validity.[7] In OEB staff's opinion, while the DSP provides sufficient rationale for much of the capital spending proposed throughout the forecast period, there do appear to be inadequacies.

ETPL communities are included in two Regional Planning Areas: the London and Greater Bruce/Huron regions which are both in the Local Wires Planning stages. ETPL stated that it would continue to actively participate in all regional planning activities, but currently does not expect any investments as a result. OEB staff is of view that ETPL adequately considered whether regional planning issues needed to be addressed in its DSP.

ETPL had some interaction with its customers during the development of its DSP, though the sufficiency of this interaction is a question that would appear to be a concern. Appendices filed with the DSP included 2014 and 2016 customer surveys, a customer information night presentation and records of some customer consultations in 2014

OEB staff's concerns with ETPL's DSP, include the overall data gathering and risk analysis approach and weightings. Furthermore, OEB staff feels that, as with other smaller utilities, a potential concern is that the data set used to make replacement decisions may be too small and biased towards replacement rather than stretching out the life of the assets. In this context, OEB staff notes that the potential losses of large load that may be experienced in the future by ETPL (Maple Leaf Foods and CAMI-GM Assembly Ingersoll are cited in the application) could represent an additional reason for delaying asset replacements as could the general need to keep customer rate increases as low as possible.

OEB staff believes that further information on how ETPL determines pole replacement is necessary as it is not clear whether or not ETPL's pole replacement methodology may lead to premature pole replacements. OEB staff notes that in the DSP, ETPL states that system renewal projects are identified through a number of programs, tools and intuitive knowledge of the distribution system by ETPL engineering and operations staff. Pole inspection and testing cycles are used to identify distribution

[7] E2/T6/S1/A3 – Distribution System Plan, pp. 127-128.

poles in need of replacement and are typically replaced on a one-for-one basis; these replacements are considered mandatory and are budgeted based on historical replacement levels.[8]

OEB staff is of the view that more information is required on this approach to pole replacement to determine whether or not it leads to premature replacements.

OEB staff considers ETPL's risk analysis system to be generally good while having some concerns about the weightings which it used.

Finally, OEB staff notes that for the size of ETPL's load, it appears to have a relatively high amount of line. As has already been discussed, OEB staff also has concerns that the high growth in administrative costs, from $4.4 million in 2014 to $5.7 million in 2018 or a 30 percent increase in four years will have an impact on capital project overhead loadings, in spite of the relatively modest capital expenditure forecast

Capital Expenditures

OEB staff notes that roughly $2.0 million of ETPL's annual average capital spending is in the system renewal category, $0.8 million for system access, $0.3 million for general plant and the remainder for system service.

Comparing capital expenditures between the historical 2013-2017 period (average $3.4 million per year) and the forecast 2018-2022 period (average $3.25 million per year), shows that expected forecast capital expenses have slightly decreased on average.

OEB staff notes that ETPL received good scores on the quantitative and qualitative metrics associated with capital expenditures in the ITM.

Overall, OEB staff is of the view that while the proposed capital expenditure budget seems reasonable relative to historical levels, there are sufficient areas of concern to require a hearing. OEB staff believes that the need for such review is particularly important given the minimal customer engagement undertaken in support of this application and because ETPL's capital expenditures have not been subject to a detailed review since 2012 and may not come before the OEB again for another nine years if ETPL's merger proposal is approved.

Specific Project Review

OEB staff reviewed the individual projects that comprise the proposed capital expenditures in the test year and the forecast period. The following is a more detailed list of the capital expenditures proposed for the forecast period[9].

[8] E2/T6/S1/A3 – Distribution System Plan, p. 116
[9] ETPL *2017 Distribution System Plan,* Table 34, p. 131.

OEB Category	Description	2017	2018	2019	2020	2021	2022
System Access	Residential Connections	$231,000	$231,000	$231,000	$231,000	$231,000	$231,000
	C&I Connections	$204,000	$204,000	$204,000	$204,000	$204,000	$204,000
	Meter Stock/Management	$248,628	$234,500	$275,100	$167,700	$171,300	$174,900
	Facility Relocations	$50,000	$150,000	$150,000	$150,000	$150,000	$150,000
	TOTAL	$733,628	$819,500	$860,100	$752,700	$756,300	$759,900
System Renewal	Fixed Distribution Asset Replacement	$1,598,992	$2,074,450	$1,915,730	$1,839,040	$2,100,881	$1,811,454
	Substation Upgrades	$15,000	$8,000	$26,500	$8,000	$8,000	$8,000
	Maps & Records	$120,000	$120,000	$120,000	$120,000	$120,000	$120,000
	TOTAL	$1,733,992	$2,202,450	$2,062,230	$1,967,040	$2,228,882	$1,939,454
System Service	System Automation	$50,000	$90,000	$90,000	$55,000	$55,000	$55,000
	Aylmer TS Breaker Payment	$383,343	$0	$0	$0	$0	$0
	TOTAL	$433,343	$90,000	$90,000	$55,000	$55,000	$55,000
General Plant	IT Hardware/Software	$79,950	$56,000	$59,750	$98,500	$56,800	$48,950
	Leasehold Improvements	$49,000	$35,000	$35,000	$80,000	$42,500	$42,500
	Tools & Equipment	$35,000	$20,000	$35,000	$20,000	$35,000	$35,000
	Fleet Sustainment	$135,000	$20,000	$90,000	$275,000	$90,000	$400,000
	Buildings & Fixtures	$350,000	$0	$0	$0	$0	$0
	TOTAL	$648,950	$131,000	$219,750	$473,500	$224,300	$526,450
	TOTAL CAPITAL SPEND	**$3,549,913**	**$3,242,950**	**$3,232,080**	**$3,248,240**	**$3,264,482**	**$3,280,804**

On the basis of its detailed review of ETPL's DSP, OEB staff believes there are some concerns which OEB staff believes a hearing process is necessary to address:

1. The extent of ETPL's contribution to and need for Hydro One related projects tentatively scheduled beyond 2019 in Norwich, Mitchell and Beachville.

2. The basis for the conclusion that a number of capital investments will result in increased efficiency.

3. An explanation of the reason for and the impact of the two-year lag for Asset Condition Assessment (ACA) and Asset Management Plan (AMP) information, which is current as of January 2015 on the DSP. Furthermore, as ETPL is having to manually lower the recommended renewal spending levels, whether or not this is an indication that the ACA and AMP may not be properly timed or misapplied.

4. The means that are available for assessing data accuracy.

5. An explanation for the worsening scorecard trend for the measure "Average Number of Hours that Power to a Customer is Interrupted."

6. An explanation as to why ETPL's per km costs are in the highest quartile of LDC per km costs.

7. Whether or not the approach to investment decisions is appropriate, or whether it ETPL is overstating the urgency of capital investments.

8. Whether or not the proposed pole replacement program is appropriate or does it result in premature replacements.

9. Estimation of the value of lost useful life of assets in voltage conversion programs

10. Clarifications as to the meaning and appropriate use of heat maps, which are used by ETPL to prioritize capital expenditures.

Comparison of Proposed Forecast Period Capital Budget to Historic Capital Budget

Over the five year forecast period, capital expenditures are expected to average $3.25 million, a slight drop from the equivalent prior period which averaged $3.4 million.

System Reliability and Service Quality

ETPL's service reliability and service quality indicators do not appear to show any major issues. As such, the question of the extent to which the proposed additional investments are necessary given the acceptable reliability and service quality levels should be explored including whether or not ETPL needs to provide further support for its proposal to gradually increase capital investment levels., This would include whether or not this aspect was adequately taken into account in third party assessments of the investment process and if not, whether or not the assessment methodology used be adjusted to account for it.

Recommendation:

OEB staff has both general and specific concerns with ETPL's proposed capital expenditures that cause OEB staff to recommend a full hearing for capital expenditures. The general concerns relate to the minimal level of customer engagement undertaken, the time that has passed since the last detailed review of capital expenditures and the nine year period that will elapse before the next review if ETPL's merger request is approved, and the age of the asset management plan on which ETPL's DSP is based and the need for manual adjustments of these plans.

The more specific concerns relate to: (1) whether or not the overall approach taken by ETPL to investment decisions is appropriate, or is overstating the urgency of capital investments, (2) concerns related to the appropriateness of specific proposed investment programs, in particular pole replacement, and (3) linkages between capital expenditures and the proposed OM&A expenditures.

Given these concerns, OEB staff recommends that ETPL's capital expenditures should be subject to a full hearing. OEB staff is of the view that the following issues should be the minimum areas to be examined by way of a written hearing.

1. Is the extent of ETPL's contribution to and need for Hydro One related projects tentatively scheduled beyond 2019 in Norwich, Mitchell and Beachville adequately justified?

2. Has ETPL provided adequate support for its conclusion that a number of capital investments will result in increased efficiency?

3. Has ETPL adequately explained and justified the reasons for and the impact of the two-year lag for Asset Condition Assessment (ACA) and Asset Management Plan (AMP) information, which is current as of January 2015 on the DSP?

4. As ETPL is having to manually lower the recommended renewal spending levels, is this an indication that the ACA and AMP may not be properly timed or misapplied?

5. Has ETPL provided sufficient information as to the means which it uses to assess data accuracy?

6. Has ETPL provided an adequate explanation for the worsening scorecard trend for the measure "Average Number of Hours that Power to a Customer is Interrupted?"

7. Has ETPL provided an adequate explanation as to why its per km costs are in the highest quartile of LDC per km costs?

8. Has ETPL adequately justified the appropriateness of its approach to investment decisions?

9. Has ETPL provided appropriate justification for its proposed pole replacement program?

10. Has ETPL provided an appropriate estimation of the value of lost useful life of assets in its voltage conversion programs as these projects are primarily completed in conjunction with system renewal type projects?

11. Has ETPL provided sufficient evidence as to the meaning of and appropriate use of heat maps, which are used by ETPL to prioritize capital expenditures.

12. Given that ETPL's historic investment levels have resulted in acceptable reliability performance, does ETPL need to provide further support for the proposal to gradually increase capital investment levels? In third party assessments of the investment process, was the acceptable level of reliability given adequate consideration? If not should the assessment methodology used be adjusted to account for it?

7.3.6 Load Forecast and Other Revenue

Load Forecast

ETPL's 2018 load forecast was prepared by Elenchus. ETPL stated that traditionally kWh data is collected by month for 10 historic years for use in the regression analysis, including purchase data from the IESO and Hydro One Networks Inc., as well as embedded generation data. ETPL stated that it had used kWh purchase data by month for its entire service area from January 2007 until January of 2017 in order to ensure that all billed consumption is collected and applied to its appropriate consumed month.

ETPL noted that it had made some customer-specific load forecasting adjustments. It had removed the impacts of Maple Leaf Foods from its load forecast as the plant intends to close in early 2018, prior to its new rates being implemented. Where the CAMI-GM Assembly plant is concerned, ETPL decided that it would make no adjustment for the reduction of its operations due to CAMI being billed on kW demand, as it was likely that its peak demand would not be materially impacted by the reductions. ETPL made a similar decision related to the closure of a grocer in Belmont, as it felt that given the growth in the town and that this was the only grocer in town, it would likely soon be replaced by another grocer.

kWh Forecast by Class

Normal Forecast

kWh	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2016 Normalized	2017 Actual	2017 Forecast	2018 Forecast
Residential	136,951,769	139,174,379	137,614,288	136,671,067	136,671,067	134,543,558	133,493,324	133,927,949	133,764,095
GS < 50	47,672,679	48,218,851	48,123,471	48,503,240	48,503,240	48,633,330	49,122,764	48,915,623	49,394,965
GS > 50	102,465,298	99,138,275	103,487,654	101,805,845	101,805,845	94,283,345	98,161,158	90,450,056	89,222,069
Intermediate	92,117,889	92,636,597	94,031,167	81,639,097	81,639,097	74,711,534	80,816,478	84,528,325	76,967,386
Large User	96,186,937	98,312,959	103,336,243	115,608,236	115,608,236	108,025,611	97,579,274	98,980,673	99,199,239
Embedded Distributor	15,488,407	15,613,195	16,830,475	16,248,812	16,248,812	16,296,711	15,763,998	16,296,711	16,296,711
Street Light	3,484,987	2,710,402	2,115,842	1,938,875	1,938,875	1,938,875	1,925,136	1,962,132	1,985,669
Sentinel Light	280,910	272,742	266,366	231,256	231,256	231,256	227,678	226,333	221,514
USL	513,343	539,394	535,721	504,437	504,437	504,437	506,808	510,974	517,597
Total	495,162,219	496,616,793	506,341,226	503,150,865	503,150,865	479,168,657	477,596,618	475,798,777	467,569,245

CDM Adjusted

kWh	2018 Weather Normal Forecast	CDM Adjustment	2018 CDM Adjusted Forecast
Residential	133,764,095	1,256,917	132,507,178
GS < 50	49,394,965	1,142,121	48,252,843
GS > 50	89,222,069	2,246,878	86,975,191
Intermediate	76,967,386	2,069,177	74,898,209
Large User	99,199,239	2,264,836	96,934,403
Embedded Distributor	16,296,711	0	16,296,711
Street Light	1,985,669	0	1,985,669
Sentinel Light	221,514	0	221,514
USL	517,597	0	517,597
Total	467,569,245	8,979,929	458,589,315

kW Forecast

Normal Forecast

kW	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2016 Normalized	2017 Forecast	2018 Forecast
GS > 50	319,837	299,744	305,696	207,631	285,018	284,071	272,522	268,822
Intermediate	188,608	186,063	173,701	203,108	186,369	162,302	183,628	165,382
Large User	160,412	163,430	178,918	169,422	177,134	187,446	171,751	172,130
Embedded Distributor	36,022	36,253	36,009	35,856	36,389	34,856	34,856	34,856
Street Light	9,969	7,518	5,900	5,564	5,229	5,321	5,384	5,449
Sentinel Light	643	647	657	653	615	599	587	574
Total	715,491	693,655	700,881	622,234	690,753	674,596	668,728	647,213

CDM Adjusted

kW	2018 Weather Normal Forecast	CDM Adjustment	2018 CDM Adjusted Forecast
GS > 50	268,822	6,770	262,052
Intermediate	165,382	4,446	160,936
Large User	172,130	3,930	168,201
Embedded Distributor	34,856	0	34,856
Street Light	5,449	0	5,449
Sentinel Light	574	0	574
Total	647,213	15,146	632,068

Customer/Connection Forecast for 2012-2018

Customer Connections

kW	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Forecast	2018 Forecast
Residential	16,236	16,383	16,516	16,667	16,855	16,987	17,119
GS < 50	1,921	1,940	1,953	1,989	1,993	2,006	2,018
GS > 50	189	187	183	157	160	157	155
Intermediate	5	5	5	5	5	5	4
Large User	1	1	1	1	1	1	1
Embedded Distributor	3	4	4	4	4	4	4
Street Light	4,283	4,498	4,498	4,617	5,927	5,998	6,070
Sentinel Light	301	248	248	248	248	243	238
USL	120	124	121	128	126	128	130
Total	23,059	23,390	23,528	23,817	25,320	25,529	25,739

Other Revenue

The total proposed other revenue amount is $494,448 and is detailed in the following table.

Account	Description	2012 Board Approved	2012	2013	2014	2015	2016	2017	2018
4235	Miscellaneous Service Revenues	-$146,652.00	-$101,873.90	-$113,884.98	-$113,765.00	-$103,720.00	-$105,040.00	-$ 87,100.00	-$ 98,161.70
4225	Late Payment Charges	-$143,440.00	-$108,661.09	-$117,341.67	-$109,434.71	-$112,833.85	-$134,656.29	-$138,977.92	-$145,947.00
4080	Distribution Services Revenue SSS		-$ 68,175.40	-$ 64,324.06	-$ 64,246.17	-$ 64,288.31	-$ 66,018.63	-$ 57,928.83	-$ 57,928.83
4082	Retail Services Revenues	-$ 37,204.00	-$ 19,214.50	-$ 16,279.50	-$ 14,815.00	-$ 18,983.00	-$ 14,779.00	-$ 13,067.00	-$ 14,726.51
4084	Service Transaction Requests		-$ 9,305.20	-$ 7,640.40	-$ 7,069.95	-$ 8,670.25	-$ 6,461.05	-$ 5,547.70	-$ 6,252.26
4210	Rent from Electric Property	-$156,609.00	-$105,306.50	-$103,070.55	-$104,876.83	-$ 92,903.82	-$103,987.32	-$117,381.94	-$132,289.45
4220	Other Electric Revenues	-$308,344.00	-$ 35,814.52	-$ 3,138.25	-$ 6,987.43	-$ 11,477.49	$ 4,862.55	-$ 8,676.00	-$ 9,777.85
4355	Gain on Distposition of Asset		-$ 25,200.00	-$ 6,821.40			-$ 65,702.36	-$ 8,788.70	-$ 9,904.86
4360	Loss on Disposition of Asset				$ 7,659.71	-$ 20,218.56			
4375	Revenues from Non-Utility Operations								
4380	Non Utility Rental Income	-$ 93,743.00	-$103,895.30	-$ 22,904.48	-$ 22,329.22	-$ 22,193.59	-$ 16,139.00	-$ 14,566.68	-$ 16,416.65
4385	Miscellaneous Non Operating Income		-$ 18,466.34		-$ 18,420.45	-$ 14,434.23	-$ 48,661.36	-$ 2,700.00	-$ 3,042.90
4390	Rate Payer Benefit Including Interest								
4398	Foreign Exchange Gains and Losses								
4405	Interest and Dividend Income		-$133,238.27	-$ 57,315.43	-$ 69,802.29	-$ 57,661.20	-$ 66,707.12		
	Specific Service Charges	-$ 183,856	-$ 198,569	-$ 202,129	-$ 199,896	-$ 195,662	-$ 192,299	-$ 163,644	-$ 177,069
	Late Payment Charges	-$ 143,440	-$ 108,661	-$ 117,342	-$ 109,435	-$ 112,834	-$ 134,656	-$ 138,978	-$ 145,947
	Other Distribution Operating Revenues	-$ 464,953	-$ 166,321	-$ 113,030	-$ 104,205	-$ 124,600	-$ 164,827	-$ 134,847	-$ 151,972
	Other Income and Deductions	-$ 93,743	-$ 122,362	-$ 22,904	-$ 40,750	-$ 36,628	-$ 64,800	-$ 17,267	-$ 19,460
	Total	**-$ 885,992**	**-$ 595,913**	**-$ 455,405**	**-$ 454,285**	**-$ 469,723**	**-$ 556,582**	**-$ 454,735**	**-$ 494,448**

Other Revenue has remained generally stable for ETPL since 2013, although it did increase from the $0.450 - $0.470 million range in the 2013 to 2015 period to $0.557 million in 2016, but then back down to the same range for 2017. ETPL's forecast for other revenues of $0.494 million in 2018 is $0.392 million lower than the 2012 approved level of $0.886 million.

OEB Staff Analysis: Load Forecast and Other Revenue

Load Forecast

OEB staff is of the view that the load forecast provided by ETPL is reasonable. The customer / connection and weather normalized load forecast developed by ETPL is based on an acceptable methodology.

OEB staff originally had a number of concerns about the load forecast, but these were dealt with through ETPL's responses to questions asked by OEB staff which are on the public record of this proceeding.

OEB staff's first concern was the extent of the data used by ETPL to develop its load forecast. ETPL stated that it collected consumption (kWh) data for 10 years for the purpose of preparing the forecast. OEB staff noted that data back to at least 2004 should be available as ETPL had used 2004 data for its historical test year application for 2006 rates.

ETPL responded that its consultant had felt that ten years of data would provide a sufficient sample to forecast customer loads. ETPL noted that while earlier data was available, its consultant was of the view that recent data is more reflective of current consumption trends which allows for a more accurate forecast.

OEB staff was also concerned about the difference between 2016 actual consumption and the 2016 weather-normalized level which was 4.8 percent lower than the actual load. ETPL explained that the reason for this was mainly because of an atypically warm summer in 2016, somewhat offset by a 6.1 percent decline from the 10-year average in heating degree days. In its response, ETPL also partially updated its forecast providing updated kWh numbers. The impact of these changes was very small e.g. the 2018 forecast continued to round to 468 million kWh.

OEB staff had a further similar concern with the GS>50 kW class and the Intermediate class where there were variances between actual and normalized consumption levels of 7.4 and 8.9 percent respectively. OEB staff had not expected this level of variance for these two classes as they are not weather-sensitive to the same extent as are the Residential and GS<50 kW classes. ETPL explained that these differences were entirely due to the effects of persisting CDM and not weather normalization.

OEB staff noted a significant decline in consumption for the streetlighting class, dropping from 3,500,000 kWh in 2012 to around 2,000,000 kWh in 2015 and stabilizing thereafter. ETPL explained that this drop was due to the conversion to LED bulbs for the streetlights during this time period.

Overall, OEB staff notes that ETPL's 2018 forecast shows a drop in load relative to the 2016 normalized level of 2.4 percent on a kWh basis and 4.1% on a kW basis.

Other Revenue

OEB staff notes that the 2012 actual for Other Revenue was $0.29 million lower than the OEB approved 2012 level, which is a 33 percent differential. Notwithstanding this overstatement in the previous test year, the 2018 level does not appear to be similarly overstated as the preceding five-year average is $0.478 million which is only $0.018 million lower than the proposed 2018 test year level.

Recommendation:

OEB staff is of the view that the evidentiary record for the issues of load forecast and other revenue is sufficient. OEB staff recommends that no further discovery of this issue is necessary, as the application and ETPL's written responses create an adequate evidentiary record. OEB staff believes that submissions on this issue would be helpful in the context of the appropriateness of the requests and the interrelationship between this issue and those for which OEB staff is recommending a full hearing.

7.3.7 Operating Costs

ETPL is proposing OM&A of $6.5 million for 2018. For comparison, the following table contains the 2012 OEB-approved OM&A and the 2012 – 2016 actual, the bridge year, and the test year. Overall, there is an increase of $796,174 (or 14 percent) over the 2012 OEB-approved OM&A. The increase over the 2012 actual is 33 percent as the OEB-approved OM&A was $805,455 or 17 percent higher than the actual 2012 level.

Expenses	Last Rebasing Year (2012 Board Approved)	Last Rebasing Year (2012 Actuals)	2013 Actuals	2014 Actuals	2015 Actuals	2016 Actuals	2017 Bridge Year	2018 Test Year
Operations	$ 187,551	$ 160,299	$ 100,096	$ 110,018	$ 128,569	$ 91,574	$ 93,131	$ 116,389
Maintenance	$ 696,405	$ 595,216	$ 645,161	$ 578,159	$ 320,160	$ 286,802	$ 291,677	$ 296,636
Billing and Collection	$ 987,418	$ 860,983	$ 1,172,874	$ 1,259,465	$ 1,111,468	$ 981,647	$ 998,335	$ 1,040,307
Community Relations	$ -	$ 18,711	$ 22,086	$ 22,871	$ 21,168	$ 24,584	$ 24,953	$ 25,327
Administrative and General	$ 3,789,220	$ 3,219,930	$ 3,682,598	$ 3,655,307	$ 4,210,858	$ 4,607,894	$ 4,773,813	$ 4,978,110
Total	**$ 5,660,594**	**$ 4,855,139**	**$ 5,622,815**	**$ 5,625,820**	**$ 5,792,223**	**$ 5,992,501**	**$ 6,181,909**	**$ 6,456,768**
Overhead Change Impact to OM&A			$ 258,315	$ 264,909	$ 275,095	$ 294,929	$ 301,073	$ 307,347
Total before MIFRS Overhead Impact	**$ 5,660,594**	**$ 4,855,139**	**$ 5,364,500**	**$ 5,360,911**	**$ 5,517,128**	**$ 5,697,571**	**$ 5,880,836**	**$ 6,149,422**

ETPL provided a summary analysis of the drivers for OM&A in its application[10]. ETPL set out a number of reasons for its proposed increase in OM&A expenses in the test year (as compared to the previous rebasing). The recurring OM&A expense increases include:

- Increase in operating costs for capitalization policy change
- Impacts of inflation
- Increases in labour and benefit costs

[10] E4/T2/S3, Table 4-8.

A key test year cost increase factor is higher cyber security and risk costs. ETPL states that these costs are associated with meeting the requirements of the OEB's cyber security and risk policy that comes into force in 2018.

The OM&A cost per customer in the test year has increased by approximately $70, or 27 percent per customer since the 2012 rebasing using 2012 actuals as shown in the table below:

Expenses	Last Rebasing Year (2012 Board Approved)	Last Rebasing Year (2012 Actuals)	2013 Actuals	2014 Actuals	2015 Actuals	2016 Actuals	2017 Bridge Year	2018 Test Year
2012 Board-Approved OM&A	CGAAP	CGAAP	Revised CGAAP	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
Number of Customers	18,934	18,784	18,900	19,038	19,208	19,401	19,539	19,677
Total Recoverable OM&A	$ 5,660,594	$ 4,855,139	$ 5,600,729	$ 5,602,949	$ 5,792,223	$ 5,992,501	$ 6,181,909	$ 6,456,768
OM&A cost per customer	$ 298.96	$ 258.47	$ 296.33	$ 294.30	$ 301.56	$ 308.88	$ 316.39	$ 328.14
Number of FTEs	45	44	45	45	45	46	44	44
Customers/FTEs	421	427	420	423	427	422	444	447
OM&A Cost per FTE	$ 125,791	$ 110,344	$ 124,461	$ 124,510	$ 128,716	$ 130,272	$ 140,498	$ 146,745

ETPL currently has 44 FTEs and at the time of its last rebasing it also had 44 FTEs.

Over the historical period, increases in compensation costs are largely associated with: (a) annual inflationary increases to wages for both union and non-union employees; and (b) increases in costs of employee benefit programs. Overall, compensation expenses increased by $747,982 (or 18.8%) over 2012 OEB-approved.

The employee cost table (Appendix 2-K of the Chapter 2 appendices is copied below).

Line No.	Last Rebasing Year (2012 Board Approved)	2012 BA	2012 Actuals	2013 Actuals	2014 Actuals	2015 Actuals	2016 Actuals	2017 Bridge Year	2018 Test Year
1	**Number of FTEs**								
2	Management (including executive)	12	12	12	12	14	15	14	14
3	Non-Management (union and non-union)	33	32	33	33	31	31	30	30
4	**Total**	**45**	**44**	**45**	**45**	**45**	**46**	**44**	**44**
5	**Total Salary and Wages including overtime and incentive pay**								
6	Management (including executive)	$ 1,080,161	$ 1,152,879	$ 1,215,962	$ 1,235,070	$ 1,387,432	$ 1,607,297	$ 1,486,771	$ 1,516,507
7	Non-Management (union and non-union)	$ 2,153,368	$ 2,257,488	$ 2,259,558	$ 2,393,498	$ 2,608,905	$ 2,394,895	$ 2,224,585	$ 2,269,077
8	**Total**	**$ 3,233,529**	**$ 3,410,367**	**$ 3,475,520**	**$ 3,628,568**	**$ 3,996,337**	**$ 4,002,193**	**$ 3,711,356**	**$ 3,785,583**
9	**Total Benefits (current and accrued)**								
10	Management (including executive)	$ 255,094	$ 269,045	$ 297,160	$ 299,099	$ 334,012	$ 378,586	$ 351,075	$ 358,096
11	Non-Management (union and non-union)	$ 482,454	$ 508,839	$ 549,477	$ 587,893	$ 617,537	$ 608,303	$ 564,098	$ 575,380
12	**Total**	**$ 737,549**	**$ 777,884**	**$ 846,636**	**$ 886,992**	**$ 951,549**	**$ 986,889**	**$ 915,173**	**$ 933,476**
13	**Total Compensation (Salary, Wages and Benefits)**								
14	Management (including executive)	$ 1,335,255	$ 1,421,924	$ 1,513,122	$ 1,534,169	$ 1,721,444	$ 1,985,884	$ 1,837,846	$ 1,874,603
15	Non-Management (union and non-union)	$ 2,635,822	$ 2,766,327	$ 2,809,035	$ 2,981,391	$ 3,226,442	$ 3,003,199	$ 2,788,683	$ 2,844,457
16	**Grand Total**	**$ 3,971,078**	**$ 4,188,251**	**$ 4,322,156**	**$ 4,515,560**	**$ 4,947,885**	**$ 4,989,082**	**$ 4,626,529**	**$ 4,719,060**

ETPL has included in the 2018 Test year a total of $285,561 for regulatory cost recovery consisting of $92,140 of ongoing costs, one fifth of the total cost of service application costs shown in the table below, or $63,421 and cyber security and risk costs of $130,000. ETPL staff labour costs are not included in these amounts.

		Historical Year(s)	2017 Bridge Year	2018 Test Year
4	Expert Witness costs			
5	Legal costs	$ 7,401.36	$ 58,594.10	$ 23,437.64
6	Consultants' costs	$ 4,598.64	$ 36,405.90	$ 14,562.36
7	Incremental operating expenses associated with staff resources allocated to this application.	$ 57,105.26	$ 28,000.00	$ 5,000.00
8	Incremental operating expenses associated with other resources allocated to this application. [1]			$ 12,000.00
11	Intervenor costs			$ 70,000.00

In the table above, ETPL entered one-time costs in the historical, bridge and test year. Typically, the OEB has allowed recovery of all prudently incurred one-time costs for developing distributor applications, regardless of when the costs were incurred. These costs are typically amortized over the IR term.

ETPL included $12,942 for LEAP funding. The amount is based on 0.12% of the proposed revenue requirement.

ETPL did not file a formal depreciation policy as part of its application. ETPL stated that in preparation for its conversion to IFRS, it had engaged KPMG to assist with determining the level of PP&E componentization required under IFRS and that ETPL, with KPMG, had utilized the OEB's Kinectrics Report to establish updated useful lives to be used under IFRS. OEB staff does have a concern with the useful lives adopted by ETPL which is further discussed in section 7.3.13 of this submission.

ETPL stated that the adjustments made to its service lives had a significant impact on its depreciation expense and ETPL had a substantial refund owing to customers because of this change which it had recorded in Account 1576.

ETPL confirmed that the useful lives for its asset groups fall within the ranges provided in the Kinectrics Report except as noted and that significant parts or components of each item of PP&E are being depreciated separately. The only asset group for which ETPL is proposing an asset life outside the Kinectrics range is Account 1860 Data Collectors – Smart Metering for which a five year life is proposed. The Kinectrics range is 15 to 20 years.

ETPL's 2018 grossed-up taxes amount is calculated at $190,777 and ETPL filed the PILs workform at E4/T12/S1, Attachment 13 of its application.

OEB Staff Analysis: Operating Costs

OEB staff reviewed ETPL's operating expenditures by considering the rationale for planning choices and whether they were adequately explained, giving due consideration to:

- customer feedback and preferences;
- productivity;

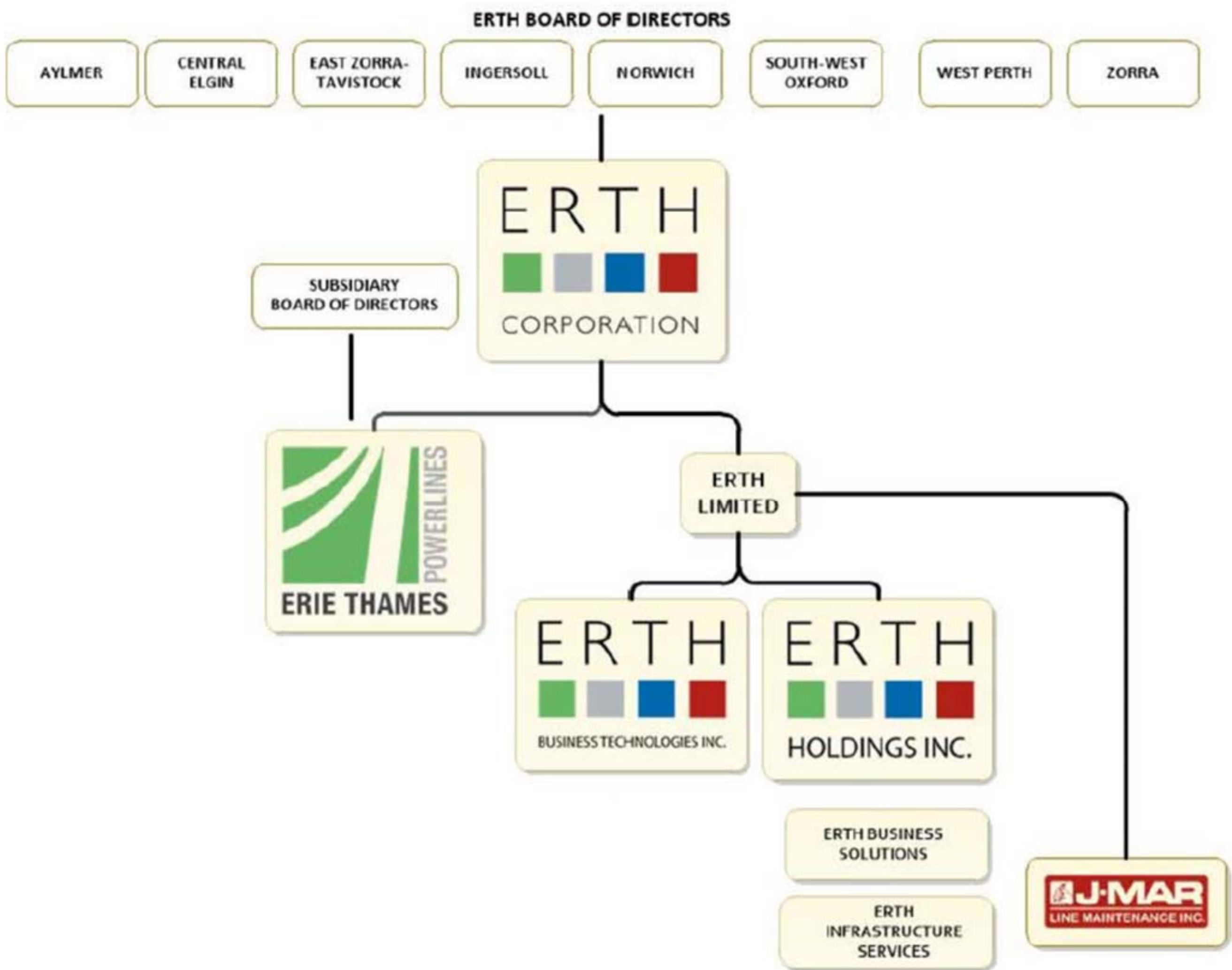
- compatibility with historical expenditures;
- compatibility with applicable benchmarks;
- reliability and service quality;
- impact on distribution rates;
- trade-offs with capital spending;
- government-mandated obligations; and
- the objectives of ETPL and its customers.

OEB staff is of the view that overall, the requested increase to the OM&A budget is significant at 33 percent when compared to the 2012 actual level. This is roughly a five percent annual increase during a period under which ETPL was under an incentive rate-setting mechanism. OEB staff notes that ETPL deferred filing its rebasing application twice, thus extending its IRM period to five years from three. OEB staff also notes that there is a significant variance (17 percent greater) between the OEB approved 2012 OM&A level and the actual 2012 OM&A level. ETPL also scored poorly on the ITM metrics associated with operating costs.

Furthermore, ETPL has affiliates and transactions with them that impact both its OM&A levels and employee number counts. In addition, as is evident from the table at the beginning of this section, there is an accounting overhead change that also significantly impacts OM&A.

Affiliate Issues:

ETPL's organizational structure as shown in the application is as follows:



Affiliate costs comprise a significant portion of ETPL's projected OM&A expenditures in the 2018 test year, totalling about $1.6 million[11] or roughly 25 percent of OM&A. OEB staff does not believe that the evidence provided in the application is sufficient to ascertain the reasonableness of these expenditures. In OEB staff's view, there is insufficient explanation of how the portions allocated to ETPL were determined and why they are reasonable.

[11] E4/T5/p. 7, Table 4-27

Recommendation:

OEB staff believes that given: (1) the magnitude of the increase that has occurred since the 2012 cost-of-service application, (2) the significant variance between the 2012 OEB approved level and the 2012 actual, and (3) the impacts on both OM&A and employee levels of ETPL's affiliate transactions, further discovery of ETPL's operating costs is necessary.

OEB staff is also concerned with the limited level of customer engagement undertaken given the magnitude of the increases in OM&A that have been proposed. In addition, it has been six years since ETPL's OM&A expenses were last reviewed and it may be another nine years before they would again be reviewed if ETPL's merger proposal is approved by the OEB.

OEB staff accordingly recommends that ETPL's operating costs should be subject to a full hearing. OEB staff is of the view that the following issues should be the minimum areas to be examined by way of a written hearing:

1. Does the differential between ETPL's 2012 OEB approved level of OM&A of $5,660,594 and actual OM&A costs of $4,855,139, or $805,455, or 17 percent, raise concerns about the accuracy of ETPL's current forecast?
2. Is ETPL's conclusion that it is clearly performing well when compared to its expected cost calculation justified?
3. Is ETPL's inclusion of $140,000 in operating costs for cyber and privacy risk mitigation appropriate and is the classification of these costs as regulatory in nature appropriate?
4. Are the merger savings stated as arising from ETPL's previous mergers with West Perth and Clinton Power accurately quantified and reflected in the current application?
5. Are ETPL's stated FTE levels and compensation costs appropriate and/or comparable to those of other utilities given that some employees who work for ETPL are located in its affiliated companies?
6. Are the accounting changes which have shifted costs away from O&M and into Administration appropriate?
7. Are the portions of affiliate costs allocated to ETPL appropriate and, if so, why?
8. Are ETPL's purchases of non affiliate services resulting in appropriate costs and are the divisions of service acquisitions between affiliates and non affiliates appropriate?
9. Is ETPL's proposal to establish a five-year useful life for smart metering assets appropriate as this is not within the Kinectrics range?

While OEB staff is of the view that the above issues require a full hearing, OEB staff does not believe that these are necessarily the only issues in this area that would require a hearing. As the discovery process moves through its various stages, additional issues related to operating costs may arise.

7.3.8 Cost of Capital

ETPL's proposed cost of capital is set out in the following table.

Year: 2018

Line No.	Particulars	Capitalization Ratio (%)		Capitalization Ratio ($)	Cost Rate (%)	Return ($)
	Debt					
1	Long-term Debt	56.00%		$22,509,289	4.16%	$936,386
2	Short-term Debt	4.00%	(1)	$1,607,806	2.29%	$36,819
3	**Total Debt**	60.0%		$24,117,095	4.04%	$973,205
	Equity					
4	Common Equity	40.00%		$16,078,063	9.00%	$1,447,026
5	Preferred Shares			$ -		$ -
6	**Total Equity**	40.0%		$16,078,063	9.00%	$1,447,026
7	**Total**	100.0%		$40,195,158	6.02%	$2,420,231

ETPL used the then current OEB-approved deemed capital structure, deemed short and long-term debt rates and ROE at the time of filing the application in September 2017. ETPL updated these rates in the revised version of the application filed on March 1, 2018.

OEB staff believes that ETPL has calculated the cost of capital for 2018 in accordance with OEB requirements with one exception, the cost of long term debt. OEB staff has concerns related to the interest rates used for ETPL's affiliated debt.

These concerns relate to the 2017 and 2018 promissory notes due to ERTH Corporation, an affiliate of ETPL, which have a rate of 2.5%. This is lower than the deemed OEB rate of 4.16%. ETPL is seeking to recover the deemed rate of 3.72%, but OEB policy is that the deemed rate is a ceiling, meaning that the 2.5% rate would appear to be the appropriate rate to be recovered.

OEB staff is also concerned that the evidence appears to show[12] that a full year of interest is being recovered on promissory notes issued on the last day of 2015, 2017 and 2018 respectively. This would need to be either explained or adjusted.

[12] E5/T3/p. 3, Table 5-3

Recommendation:

OEB staff recommends that no issues directly related to the cost of capital calculation (i.e. capital structure, debt rates and ROE) proceed to hearing other than the cost of long-term debt.

OEB staff has identified the following two issues that it recommends for hearing related to ETPL's cost of long-term debt. The issues relate to the costing of debt held by affiliates.

1. Is ETPL's use of the OEB's deemed long term debt rate of 4.16 percent appropriate for the 2017 and 2018 promissory notes due to ERTH Corporation, an affiliate of ETPL, which have rates of 2.5 percent?
2. Has ETPL calculated interest expense appropriately for promissory notes shown as issued on the last days of 2015, 2017 and 2018 respectively?

OEB staff notes that the cost of capital amount would also change if the findings on issues that go to hearing have an impact rate base.

7.3.9 Revenue Sufficiency / Deficiency

The revenue deficiency arising from ETPL's application is set out in the following table:

Description	2012 Board Approved Proxy	2018 Revenue at Existing Rates Allocated in Proportion to 2012 BAP	2018 Test Year Revenue Requirement	Variance
	A	B	C	D = C - B
Revenue Requirement:				
OM&A	$ 5,660,594	$ 6,043,926	$ 6,468,593	$ 424,667
Depreciation	$ 2,030,082	$ 2,167,558	$ 1,842,780	-$ 324,778
Income Tax	$ 341,585	$ 364,717	$ 198,681	-$ 166,036
Interest Expense	$ 803,302	$ 857,701	$ 973,205	$ 115,504
Return on Rate Base	$ 1,147,934	$ 1,225,671	$ 1,447,026	$ 221,355
Total	**$ 9,983,497**	**$ 10,659,573**	**$ 10,930,285**	**$ 270,712**
Rate Base				
Rate Base	$ 31,467,480	$ 31,467,480	$ 40,195,158	$ 8,727,678

Overall, the proposed service revenue requirement for the 2018 test year is $946,788 (or 9.5%) higher than the 2012 OEB-approved amount. The grossed-up revenue deficiency is $315,992.

The major contributors are increased OM&A expenses and increased return on rate base, partially offset by a decrease in depreciation as a result of ETPL adopting IFRS-compliant depreciation accounting policies and a related decrease in PILs.

OEB Staff Analysis: Revenue Sufficiency / Deficiency

OEB staff notes that the revenue deficiency of $315,992 is approximately three percent of the proposed base revenue requirement.

Recommendation:

There are no direct recommendations resulting from OEB staff's review of the revenue deficiency. The revenue deficiency amount is simply a result of all the requests that were made by ETPL in its revised application, which OEB staff discusses in other sections of this Report. The level of the revenue deficiency relative to the base revenue requirement provides a general understanding of the magnitude of the total rate increase requested in the application.

OEB staff notes that the revenue deficiency amount would change if the OEB makes findings on the application that impact the revenue requirement.

7.3.10 Cost Allocation

The table below highlights the costs allocated to each rate class resulting from the last approved cost-of-service application and the updated 2018 cost allocation study:

TABLE 7-12: 2012 VS 2018 ALLOCATED COSTS

	Name of Customer Class (3) From Sheet 10. Load Forecast	Costs Allocated from Previous Study (1)	%	Allocated Class Revenue Requirement (1) (7A)	%
1	Residential	$ 5,636,524	62.03%	$ 7,412,934	67.82%
2	General Service < 50 kW	$ 1,142,520	12.57%	$ 1,330,842	12.18%
3	General Service > 50 to 999 kW	$ 862,571	9.49%	$ 709,259	6.49%
4	General Service > 1,000 to 4,999 kW	$ 526,241	5.79%	$ 495,193	4.53%
5	Large Use	$ 307,549	3.38%	$ 503,118	4.60%
6	Unmetered Scattered Load	$ 70,762	0.78%	$ 38,524	0.35%
7	Sentinel Lighting	$ 30,337	0.33%	$ 60,208	0.55%
8	Street Lighting	$ 344,523	3.79%	$ 263,563	2.41%
9	Embedded Distributor	$ 166,009	1.83%	$ 116,644	1.07%
10					
20					
	Total	$ 9,087,035	100.00%	$ **10,930,285**	100.00%

There are relatively small shifts (mainly decreases) in the costs allocated to most of the classes with two exceptions: The first is that the Residential class allocation has increased from 62.0% to 67.8% and the second is that the General Service >50 to 999 kW class has decreased from 9.49% to 6.49%. The following table highlights the revenue to cost ratios based on the last approved cost-of-service application and the 2018 updated cost allocation study:

TABLE 7-14: REVENUE TO COST RATIOS

	Name of Customer Class	Previously Approved Ratios Most Recent Year: 2012 %	Status Quo Ratios (7C + 7E) / (7A) %	Proposed Ratios (7D + 7E) / (7A) %	Policy Range %
1	Residential	107.00%	86.24%	95.63%	85 - 115
2	General Service < 50 kW	90.00%	96.96%	100.00%	80 - 120
3	General Service > 50 to 999 kW	80.00%	150.71%	120.00%	80 - 120
4	General Service > 1,000 to 4,999 kW	120.00%	176.87%	119.96%	80 - 120
5	Large Use	115.00%	91.32%	99.96%	85 - 115
6	Unmetered Scattered Load	80.00%	168.60%	120.00%	80 - 120
7	Sentinel Lighting	84.00%	43.92%	100.00%	80 - 120
8	Street Lighting	74.00%	164.08%	120.00%	80 - 120
9	Embedded Distributor	105.00%	221.43%	119.98%	80 - 120
10					
20					

The 2018 cost allocation study indicates that the ratios for all classes except the residential, GS > 50 kW and Large Use rate classes are outside the OEB's policy range. Therefore, ETPL proposed to bring the ratios for all of the classes outside the range within the range resulting in the residential, GS > 50kW, Large Use and Sentinel Lighting (which was below the OEB policy range) classes being revised upwards.

To determine the proposed ratios, ETPL stated that it had used the industry common methodology by first moving all rate classes outside the OEB approved range to the upper or lower limit of the range, meaning that the General Service > 50 to 999 kW, General Service > 1,000 to 4,999 kW, Unmetered Scattered Load, Street Lighting and Embedded Distributor classes were moved down to the upper end of the range, while Sentinel Lighting was moved to the midpoint of the range. The Residential, General Service < 50 kW and Large classes were also moved up within the policy range to achieve revenue neutrality.

ETPL has not proposed any new rate classes.

ETPL stated that currently it does not employ a standby rate class in its tariff sheet, but as part of the current application it wishes to include this charge in order to ensure that it is kept whole with respect to its transmission network and connection fees that will be charged to ETPL by Hydro One for all embedded generation (Gross Load Billing). ETPL stated that it currently has one customer to whom this situation applies, however, it expressed the belief that as the generation technology advances and reduces in cost, it would become more and more prevalent throughout the province.

ETPL stated that it had reviewed the information provided by the OEB's Load Displacement Generation Working Group and expressed its understanding that the associated consultation on developing a standby rate policy remains ongoing.

As such, ETPL stated that for the current application, it believed that it was appropriate for it to set a standby charge that is equal to the variable charge proposed for the GS>1,000 to 4,999 kW rate class (the rate class where the single customer with generation will reside). ETPL further stated that it had not included the standby rate class in the cost allocation model, bur rather aimed to include the costs of standby in the GS>1,000 to 4,999 rate class. ETPL requested that the proposed standby rate be approved on a final basis.

OEB Staff Analysis: Cost Allocation

The table below is from the RRWF filed with ETPL's application:

	Name of Customer Class	Previously Approved Ratios Most Recent Year: 2012 %	Status Quo Ratios (7C + 7E) / (7A) %	Proposed Ratios (7D + 7E) / (7A) %	Policy Range %
1	Residential	107.00%	86.24%	95.63%	85 - 115
2	General Service < 50 kW	90.00%	96.96%	100.00%	80 - 120
3	General Service > 50 to 999 kW	80.00%	150.71%	120.00%	80 - 120
4	General Service > 1,000 to 4,999 kW	120.00%	176.87%	119.96%	80 - 120
5	Large Use	115.00%	91.32%	99.96%	85 - 115
6	Unmetered Scattered Load	80.00%	168.60%	120.00%	80 - 120
7	Sentinel Lighting	84.00%	43.92%	100.00%	80 - 120
8	Street Lighting	74.00%	164.08%	120.00%	80 - 120
9	Embedded Distributor	105.00%	221.43%	119.98%	80 - 120

OEB staff notes that this table is very similar to Table 7-14 above except that it provides in the first column the revenue-to-cost ratios approved in the previous application rather than the revenue requirement allocation percentages that are shown in Table 7-14.

OEB staff notes that while the movements in the ratios from the status quo ratios in the second column to the proposed ratios in the third column appear to be reasonable given the status quo ratios in the second column and the need to move these ratios within the OEB policy ranges, the changes from the previously approved ratios in the first column to the status quo ratios are significant. OEB staff is concerned that these changes have not been adequately explained.

OEB staff's second concern is with ETPL's proposal for a final standby rate. OEB staff does not believe that it is clear from the evidence filed whether sufficient customer engagement on this matter has taken place.

Recommendation:

OEB staff is of the view that the two cost allocation issues discussed above will need to proceed to hearing.

OEB staff accordingly recommends that the following two issues should be included as issues in a hearing:

1. Are ETPL's proposed revenue-to-cost ratios appropriate, particularly given the shifts in the revenue-to-cost ratios produced in the cost allocation model from the previously approved ratios in 2012 to the status quo ratios which are used to derive the proposed ratios in this application?

2. Is ETPL's proposal for a final standby rate appropriate?

OEB staff notes that the allocated costs are subject to change if the OEB makes findings changing the proposals in the application.

OEB staff believes that other than these issues, the record is sufficient on cost allocation so that the remainder of this area can proceed to written submissions without the need for further discovery. OEB staff is of the view that written submissions would be useful in the context of the issues which OEB staff is recommending go to a full hearing and the impact that these issues may have on cost allocation.

7.3.11 Rate Design

ETPL proposed to maintain the existing fixed / variable split for all rate classes with the exception of the residential rate class.

The following tables highlight ETPL's current and proposed fixed / variable revenue proportions.

TABLE 8-3: CURRENT FIXED/VARIABLE PROPORTIONS

Customer Class	2018 Fixed Revenue with Current Rates	2018 Variable Revenue with Current Rates	2018 Distribution Revenue with Current Rates	Fixed %	Variable %
Residential	$ 4,770,091	$ 1,245,581	$ 6,015,673	79%	21%
General Service < 50 kW	$ 539,805	$ 699,706	$ 1,239,511	44%	56%
General Service > 50 to 999 kW	$ 237,255	$ 810,744	$ 1,047,999	23%	77%
General Service > 1,000 to 4,999 kW	$ 149,036	$ 712,167	$ 861,203	17%	83%
Large Use	$ 160,856	$ 283,851	$ 444,708	36%	64%
Unmetered Scattered Load	$ 4,991	$ 59,099	$ 64,091	8%	92%
Sentinel Lighting	$ 15,947	$ 8,986	$ 24,932	64%	36%
Street Lighting	$ 294,276	$ 128,079	$ 422,355	70%	30%
Embedded Distributor	$ 113,353	$ 141,596	$ 254,949	44%	56%
Total	**$ 6,285,610**	**$ 4,089,810**	**$ 10,375,420**	**61%**	**39%**

TABLE 8-5: ETPL PROPOSED FIXED CHARGE BY RATE CLASS

Customer Class	2018 Distribution Revenue Requirement	Fixed Portion	Fixed Revenue	Customers/ Connections	2018 Proposed Fixed Rates
Residential	$ 6,706,108	89.65%	$ 6,017,071	17,119	$ 29.29
General Service < 50 kW	$ 1,281,075	43.55%	$ 557,906	2,018	$ 23.01
General Service > 50 to 999 kW	$ 830,219	22.64%	$ 187,952	153	$ 102.30
General Service > 1,000 to 4,999 kW	$ 547,281	37.07%	$ 202,877	6	$ 2,537.23
Large Use	$ 484,908	26.14%	$ 126,773	1	$ 10,362.66
Unmetered Scattered Load	$ 45,355	7.79%	$ 3,532	130	$ 2.27
Sentinel Lighting	$ 58,697	63.96%	$ 37,543	238	$ 13.17
Street Lighting	$ 306,274	69.68%	$ 213,396	6,070	$ 2.93
Embedded Distributor	$ 136,615	44.46%	$ 60,740	4	$ 1,265.41
Total	**$ 10,396,532**		**$ 7,407,791**	**25,739**	

TABLE 8-6: ETPL PROPOSED VARIABLE CHARGE BY RATE CLASS

Customer Class	2018 Total Distribution Revenue	Fixed Revenue	Variable Revenue	Transformer Allowance	Adjusted Variable Revenue	Units	Billing Determinants	2018 Proposed Variable Charge
Residential	$ 6,706,108	$ 6,017,071	$ 689,037		$ 689,037	kWh	132,507,178	$ 0.0052
General Service < 50 kW	$ 1,281,075	$ 557,906	$ 723,169		$ 723,169	kWh	48,252,843	$ 0.0150
General Service > 50 to 999 kW	$ 830,219	$ 187,952	$ 642,267	$ 25,157	$ 667,424	kW	262,052	$ 2.5469
General Service > 1,000 to 4,999 kW	$ 547,281	$ 202,877	$ 344,404	$ 96,562	$ 440,966	kW	160,936	$ 2.7400
Large Use	$ 484,908	$ 126,773	$ 358,134	$ 100,921	$ 459,055	kW	168,201	$ 2.7292
Unmetered Scattered Load	$ 45,355	$ 3,532	$ 41,823		$ 41,823	kWh	517,597	$ 0.0808
Sentinel Lighting	$ 58,697	$ 37,543	$ 21,155		$ 21,155	kWh	221,514	$ 0.0955
Street Lighting	$ 306,274	$ 213,396	$ 92,877		$ 92,877	kW	5,449	$ 17.0447
Embedded Distributor	$ 136,615	$ 60,740	$ 75,875		$ 75,875	kW	34,856	$ 2.1768
Total	**$ 10,396,532**	**$ 7,407,791**	**$ 2,988,741**	**$ 222,639**	**$ 3,211,380**			

On April 2, 2015, the OEB released its new distribution rate design policy for residential electricity customers[13] which stated that electricity distributors were to transition to a fully fixed monthly distribution service charge over a period of four years beginning in 2016. ETPL proposed that for the residential class, the fixed / variable split would be revised in accordance with the OEB's policy on residential rate design. The change in the fixed rate recovery rises from the present 79.3% to 89.6% proposed for 2018.

ETPL completed the OEB's 2018 Retail Transmission Service Rates (RTSRs) workform to calculate its 2018 RTSRs. ETPL noted that while portions of its system are embedded within Hydro One Networks, other portions are directly connected to the IESO controlled grid. As such, some of ETPL's load is subject to the monthly Uniform Transmission Rates (UTRs) billed by the IESO and some subject to RTSRs billed by Hydro One. The part of ETPL embedded within Hydro One Networks service territory is billed low voltage charges on 20 separate points based upon Hydro One Networks' approved sub-transmission rates.

ETPL estimated its 2018 low voltage costs to be $1,401,831 based on the application of 2016 billing determinants charged by Hydro One Networks, as applied against the approved Hydro One Networks 2017 LV rates.

ETPL proposed to maintain the current ($0.60/ kW) Transformer Ownership Allowance.

ETPL proposed no changes to its existing retail service charges in its application.

ETPL proposed to continue certain regulatory charges that are in accordance with various OEB decisions.

ETPL proposed no changes to its existing specific service charges in its application which are consistent with the OEB's standard rates. This includes maintaining the pole attachment charge at $22.35

ETPL noted that it was proposing loss factors lower than 5% and that pursuant to the Filing Requirements, as the distribution loss adjustment factor is less than 5%, no further explanation or details of actions taken to reduce losses are necessary.

Description	2017 Approved	2018 Proposed
Total Loss Factor - Secondary Metered Customer <5,000 kW	1.0451	1.0338
Total Loss Factor - Secondary Metered Customer >5,000 kW	1.0161	1.0142
Total Loss Factor - Primary Metered Customer <5,000 kW	1.0347	1.0380
Total Loss Factor - Primary Metered Customer >5,000 kW	1.0060	1.0042

[13] EB-2012-0410 Ontario Energy Board *Board Policy: A New Distribution Rate Design for Residential Electricity Customers*

As previously set out, the bill impacts are as follows:

	Sub Total A		Sub Total C		Total Bill	
	$	%	$	%	$	%
Residential 750 kWh	2.40	7.92	2.27	5.06	2.34	2.04
Residential 233 kWh	4.10	16.15	4.06	13.34	4.26	7.98
GS < 50 kWh, 2,000 kW	0.12	0.23	-0.21	-0.24	-0.96	-0.34
GS 50 to 999 kW	-88.38	-20.17	148.10	12.45	71.72	0.67
GS 1,000 to 4,999 kW	-1793.00	-22.97	-563.71	-2.90	-1832.46	-1.32
Large Use	-3371.55	-9.95	11014.52	10.78	26563.48	4.04
USL	-6.32	-31.06	-6.51	-26.86	-7.36	-15.36
Sentinel	5.86	27.55	4.66	17.90	5.26	10.53
Street Lighting	-7.74	-28.11	-6.18	-16.05	-7.02	-5.26
Embedded Distributor	-2340.52	-46.41	-4745.76	-40.87	-5347.50	-32.46

Sub-total A: Distribution excluding pass through
Sub-total C: Delivery

OEB staff notes that all classes have bill increases of less than 10 percent on a total bill basis, except for the Sentinel Lighting class, which is just over 10 percent. The USL and Embedded Distributor classes have decreases that are significantly larger than 10 percent. ETPL did not propose any mitigation on the basis that the bill impacts of its proposed 2018 distribution rates are reasonable.

OEB Staff Analysis: Rate Design

OEB staff is of the view that ETPL's rate design proposals are reasonable and are in accordance with general rate design principles.

The fixed / variable splits are largely unchanged from the previously approved ratios with the exception of the residential rate class, which is changed based on the OEB's policy on residential rate design. OEB staff did not identify any issues with the proposed fixed / variable ratios for any rate class as set out in the revised application.

OEB staff identified no issues with the proposed RTSRs and low voltage charges. OEB staff is of the view that these charges were calculated correctly.

OEB staff also believes that ETPL calculated the loss factors appropriately. OEB staff notes that the proposed loss factors are generally somewhat lower than the current ones with the exception of the total loss factor for a primary metered customer consuming less than 5,000 kW which increases slightly from 1.0347 to 1.0380.

Finally, OEB staff notes that the total bill impacts arising from ETPL's revised 2018 rebasing application are not insignificant but are generally reasonable. The Sentinel Lighting class at a 10.5 percent total bill increase is the only class which has a bill impact just slightly above the mitigation threshold of 10 percent. These bill impacts may be reduced if the OEB lowers any of the costs that ETPL proposes to include in its revenue requirement and the costs allocated to the street lighting class are reduced.

Recommendation:

OEB staff considers ETPL's proposed rate design for the 2018 test year as reasonable and does not believe that further discovery in this area is necessary.

With respect to bill impacts, the only bill impact that is above the 10 percent mitigation threshold in the revised application is the 10.5 percent total bill increase for the Sentinel Lighting class. This impact arose from OEB staff's discussions with ETPL about its concern that its revenue to cost ratios were in some cases inconsistent with OEB policy. ETPL's efforts to bring its ratios within the policy ranges resulted in this impact, which is only slightly above the threshold, and OEB staff accordingly considers it acceptable.

The rates resulting from the rate design process are subject to change if the OEB changes any costs ETPL proposes to include in its revenue requirement or changes the allocation of the revenue requirement. However, the rate design methodology will remain unchanged.

OEB staff believes that the evidentiary record is sufficient on rate design and this area can proceed to written submissions without the need for further discovery. OEB staff is of the view that written submissions would be useful to address any concerns related to the bill impacts for the sentinel lighting class and also in the context of the issues which OEB staff is recommending go to a full hearing and the impact that these issues may have on rate design.

7.3.12 Deferral and Variance Accounts

ETPL proposed to dispose of an amount of $1,085,237 owing from customers related to Group 1 and 2 accounts and the LRAMVA. This credit includes interest up to and including April 30, 2018.

Table 9-4: Balances for Disposition

Line No.	USoA	Description	Principal Balance at Dec 31/16	Interest Balance at Dec 31/16	Projected Interest from January 1, 2017 to Apr 30, 2018	Balance for Disposition
	GROUP ONE					
1	1550	Low Voltage	$ 1,341,022	$ 13,707	$ 22,797	$ 1,377,526
2	1551	Smart Metering Entity Charge	-$ 11,341	-$ 49	-$ 193	-$ 11,583
3	1580	RSVA Wholesale Market	-$ 1,485,151	-$ 19,204	-$ 25,248	-$ 1,529,603
4	1580	WMS -Sub-account CBR Class B	$ 98,953	$ 1,304	$ 1,682	$ 101,939
5	1584	RSVA Network	$ 55,210	$ 305	$ 939	$ 56,454
6	1586	RSVA Connection	$ 234,472	$ 5,284	$ 3,986	$ 243,742
7	1588	RSVA Power	$ 307,104	$ 6,617	$ 5,221	$ 318,943
8	1589	RSVA Global	$ 1,002,728	$ 14,485	$ 17,046	$ 1,034,259
9	1595	Disposition and Recovery of Regulatory Assets-2012	-$ 612,925	$ 19,030	-$ 10,982	-$ 604,877
10	1595	Disposition and Recovery of Regulatory Assets-2014	$ 657,280	-$ 26,510	$ 11,776	$ 642,546
11	1595	Disposition and Recovery of Regulatory Assets-2015	-$ 58,326	$ 6,502	-$ 1,045	-$ 52,869
12		**Subtotal**	**$ 1,529,026**	**$ 21,471**	**$ 25,979**	**$ 1,576,476**
13	GROUP TWO					
14	1508	Other Regulatory Assets - Sub-Account - Deferred IFRS Transition Cost	$ 300,613		$ 5,110	$ 305,723
15	1508	Other Regulatory Assets - Sub-Account - OEB Cost Assessment	$ 63,001		$ 670	$ 63,671
16	1568	LRAM Variance Account	$ 348,410	$ 5,979	$ 5,923	$ 360,312
17	1576	Accounting Changes Under CGAAP Balance + Return Component5	-$ 1,220,946			-$ 1,220,946

ETPL proposed to dispose of all of the DVA balances over a one-year period.

ETPL is requesting one new account: 1522, OPEB Forecast Accrual versus Actual Cash Payment Differential variance account. This request was made in the revised application.

OEB Staff Analysis: Deferral and Variance Accounts

OEB staff asked ETPL numerous questions regarding its deferral and variance account (DVA) balance calculations. OEB staff has a number of issues with the DVA balances.

Where the RSVA accounts are concerned, OEB staff believes that account 1589, Global Adjustment incorporated a misallocation between RPP and non-RPP customers because ETPL has included Class A customers as non-RPP customers. OEB staff also continues to have concerns with numbers on the continuity schedule in the revised application that do not appear to match up as they should and unexplained adjustments. OEB staff believes that further discovery will be required to resolve these matters.

For the Group Two accounts, OEB staff has concerns with the claims being made for IFRS transition costs for two reasons. First, the claimed amount of $305,723 appears to be high for a distributor of ETPL's size and second, even though ETPL adopted IFRS in 2015, most of the costs being claimed for recovery were incurred in 2016. OEB staff is also concerned that the balance in Account 1576 may not be calculated in accordance with the Accounting Procedures Handbook (APH) and other OEB policies. OEB staff believes that further discovery will be required to resolve these matters.

OEB staff is of the view that ETPL's request for the new account 1522 noted above is unnecessary as the OEB has previously approved a generic variance account to deal with OPEBs-related variances[14].

LRAMVA

ETPL had initially requested disposition of an LRAMVA debit balance of $359,498. This balance is inclusive of 2011-2016 lost revenues from CDM programs over the 2011-2016 period and carrying charges up to April 30, 2018.

ETPL's LRAMVA application was prepared by IndEco, whose report was included in the application[15].

The LRAMVA disposition includes actual lost revenues determined from province-wide CDM programs and streetlighting projects with municipalities that were undertaken as part of the IESO's retrofit program. The demand savings from streetlighting projects over the 2012-2016 period were included and appropriately reduced by the net-to-gross factors provided by the IESO.

OEB staff determined that the application of forecast CDM savings was appropriate for comparison with actual CDM savings in the 2013 to 2016 period, based on the OEB-approved LRAMVA threshold approved in 2012 for implementation in 2013 rates. The full impact of savings in 2011 and 2012 was claimed, as no forecast CDM savings were included in the 2008 load forecast. Further, the rate class allocations of lost revenues claimed were appropriately determined from project based participant savings provided by the IESO. OEB staff is of the view the calculation of the LRAMVA is consistent with the OEB's CDM guidelines and updated LRAMVA policy.

OEB staff notes that ETPL's LRAMVA balance was prepared based on the draft verified results issued by the IESO on July 31, 2016. The final verified results report was filed on March 1, 2018. No further changes to actual savings underpinning the LRAMVA balance were proposed by ETPL during the OEB staff review process. Based on OEB staff's review of the final verified savings results, OEB staff believes that the CDM savings and adjustments from province-wide programs are consistent with the final savings results verified by the IESO for ETPL.

OEB staff notes that during the OEB staff review process, ETPL identified the need to correct its carrying charges associated with the LRAMVA to incorporate updated prescribed interest rates for Q4 2017 and Q1 2018. With this minor revision, the amount was subsequently revised to a debit balance of $360,312.

[14] Ontario Energy Board *Regulatory Treatment of Pension and Other Post-employment Benefits (OPEBs) Costs,* May 18, 2017.
[15] Exh 4, App. 12

Based on the above analysis, OEB staff is satisfied that ETPL's LRAMVA claim and associated rate riders are appropriate and further process related to this area is not required.

Recommendation:

OEB staff accordingly recommends that the following three issues should be subject to a full hearing:

1. Are ETPL's proposals for the disposition of Group One accounts appropriate, including the allocation of the Global Adjustment between RPP and non-RPP customers and general consistency issues regarding the continuity schedules?
2. Are ETPL's proposals for disposition of Group Two accounts appropriate including the claim for IFRS transition costs and the calculation of the Account 1576 balance?
3. Is ETPL's request for a new variance account related to OPEBs appropriate given that the OEB has previously established an account for such variances?