



EB-2017-0038

Erie Thames Powerlines Corporation

Application for electricity distribution rates and other charges beginning May 1, 2018

PROCEDURAL ORDER NO. 1 July 19, 2018

Erie Thames Powerlines Corporation (Erie Thames Powerlines) filed a cost of service application with the Ontario Energy Board (OEB) on September 15, 2017 under section 78 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Schedule B, seeking approval for changes to the rates that Erie Thames Powerlines charges for electricity distribution, to be effective May 1, 2018.

Erie Thames Powerlines' 2018 rebasing application is being considered under the OEB's proportionate review approach. The proportionate review process is intended to allow for a streamlined hearing of applications where it is appropriate.

OEB staff filed its Report to the Registrar on March 14, 2018, which set out OEB staff's recommendations as to the issues that it believed should proceed to a full hearing (requiring full discovery), issues that should proceed to an abridged hearing (limited to written submissions), and issues for which no further hearing was required. The OEB issued its Decision on Scope of Review (Scoping Decision) which sets out the issues that are to proceed to a full hearing and issues that are to proceed to an abridged hearing.

A Notice of Hearing was issued on June 26, 2018. Each of Consumers Council of Canada (CCC), School Energy Coalition (SEC), Toyota Motor Manufacturing Canada Inc. (TMMC) and Vulnerable Energy Consumers Coalition (VECC) applied for intervenor status. CCC, SEC and VECC also applied for cost eligibility.

Erie Thames Powerlines did not object to any of the intervention requests. By letter dated July 13, 2018, Erie Thames Powerlines requested that intervenors coordinate their participation, expressed concern over the duration of the hearing and impact on budgeted regulatory costs.

CCC, SEC, and VECC are approved as intervenors. However, TMMC's request for intervenor status is denied.

TMMC operates a 9.2 megawatt combined heat and power generation facility in Cambridge, Ontario and is a customer of another utility, Energy + Inc. In its notice of intervention, TMMC states that although not a customer of Erie Thames Powerlines, its interest in this hearing concerns Erie Thames Powerlines' proposal to establish a new standby rate and that the OEB's determination of the issue in this application may serve as a precedent in Energy+ Inc.'s rate application that is currently before the OEB.

TMMC's request for intervenor status is denied. The OEB is not satisfied that TMMC has a "substantial interest" in the proceeding, within the meaning of Rule 22.02 of the OEB's *Rules of Practice and Procedure*. As TMMC is not a customer of Erie Thames Powerlines, it will not be affected by whatever standby rates may be approved in this proceeding. The standby rates charged by Energy + Inc. are not at issue in this proceeding.

The list of parties in this proceeding is attached as Schedule A to this Procedural Order. CCC, SEC, and VECC are eligible to apply for an award of costs under the OEB's *Practice Direction on Cost Awards*.

Being eligible to apply for recovery of costs is not a guarantee of recovery of any costs claimed. Cost awards are made by way of OEB order at the end of a hearing.

Issues List

In the Scoping Decision, the OEB determined that the following six issues would proceed to a full hearing process, including an opportunity for discovery:

1. Rate Base
2. Distribution System Plan (DSP) and Capital Expenditures
3. Operating Costs
4. Cost of Long-Term Debt, but not other areas of Cost of Capital
5. Cost Allocation: Revenue-to-cost ratios and standby rate proposal

6. Deferral and Variance Accounts, except the Lost Revenue Adjustment Mechanism Variance Account

The OEB also determined that the following four issues would proceed to an abridged hearing process that provides for written submissions:

7. Load Forecast and Other Revenue
8. Revenue Sufficiency/Deficiency
9. Cost Allocation: Other than areas noted for full hearing above
10. Rate Design: restricted to Bill Impacts for the Sentinel Lighting class, and any rate design effects that may result from the hearing of other issues

The Scoping Decision listed a number of sub-issues for each of the ten issues set out above. A list of all issues and sub-issues from the Scoping Decision is set out as Schedule B to this Procedural Order.

The Scoping Decision further stated that the OEB may permit parties to seek to have additional sub-issues added in particular, for the following two issues that are proceeding to a full hearing: *Issue 2: the DSP and Capital Expenditures* and *Issue 3: Operating Costs*.¹ This Procedural Order sets out a schedule for parties to propose additional sub-issues that they believe should be included under Issue 2 and/or Issue 3. Once submissions are received from OEB staff and parties, the OEB will make a final determination of the issues list. The OEB approved issues list will inform the scope of interrogatories in this proceeding.

Interrogatories

At this time, provision will be made for written interrogatories on issues 1 through 6. Consistent with the Scoping Decision, written interrogatories are limited to the issues that the OEB has determined will proceed to a full hearing.

The OEB will review the single test year application both in the context of the projects and programs that are requested for the test year and from the perspective of the distributor's plans for the subsequent years until the next scheduled rebasing application.

Parties should examine the value presented by the proposed investments as opposed to focussing only on the costs. Parties should also assess the fit between the applicant's plans and its stated objectives, and consider how the plans contribute to positive

¹ EB-2017-0038 Decision on Scope of Review, June 8, 2018, pages 12-13, and 14

outcomes for customers, in particular those outcomes that arise from the asset management decisions reflected in the applicant's distribution system plan. The OEB will consider the entire five year distribution system plan to assess the planning and pacing proposals of the applicant and whether the test year requests are appropriately aligned with the distribution system plan. The OEB will also consider productivity and benchmarking results in assessing cost forecasts, bill impacts and distributor performance.

To allow for a focused examination of the issues, when developing interrogatories parties should review the full public record of the case, including the updated application, written correspondence between OEB staff and Erie Thames Powerlines, OEB Staff Report to the Registrar, and the Scoping Decision.

Parties should not engage in detailed exploration of items that do not appear to be material. Parties should use the materiality thresholds documented in Chapter 2 of the Filing Requirements as a guide. In making its decision on cost awards, the OEB will consider whether intervenors made reasonable efforts to ensure that their participation in the hearing was focused on material issues.

Parties should consult sections 26 and 27 of the OEB's *Rules of Practice and Procedure* regarding required naming and numbering conventions and other matters related to interrogatories.

It is necessary to make provision for the following matters related to this proceeding. Further procedural orders may be issued by the OEB.

IT IS THEREFORE ORDERED THAT:

1. Intervenors and Erie Thames Powerlines may file submissions regarding any additional sub-issues that they propose be included under *Issue 2: the DSP and Capital Expenditures* and *Issue 3: Operating Costs*. These submissions shall be filed with the OEB and delivered to all parties by **July 25, 2018**.
2. OEB staff, intervenors, and Erie Thames Powerlines may file any responding submissions on proposed additional sub-issues. These responding submissions shall be filed with the OEB and delivered to all parties by **July 31, 2018**.
3. OEB staff and intervenors shall request any relevant information and documentation from Erie Thames Powerlines related to Issues 1 to 6 by written interrogatories filed with the OEB and served on all parties by **August 14, 2018**.

4. Erie Thames Powerlines shall file with the OEB complete written responses to all interrogatories and serve them on all intervenors and OEB staff by **August 31, 2018**.
5. A Settlement Conference on issues 1 through 10 will be convened on **September 12, 2018** starting at 9:30 a.m. among the parties and OEB staff. The Settlement Conference will be held at the OEB offices at 2300 Yonge Street and may continue until **September 14, 2018**.
6. Any settlement proposal arising from the Settlement Conference shall be filed with the OEB on or before **September 26, 2018**. In addition to outlining the terms of any settlement, the settlement proposal should contain a list of any unsettled issues.
7. Any submission from OEB staff on a settlement proposal shall be filed with the OEB and served on all parties within **7 days** from when a settlement proposal is filed.
8. If there is no settlement proposal arising from the Settlement Conference, Erie Thames Powerlines shall file a statement to that effect with the OEB by **September 18, 2018**.

All filings to the OEB must quote the file number, EB-2017-0038, be made in searchable/ unrestricted PDF format electronically through the OEB's web portal at <https://pes.ontarioenergyboard.ca/eservice/>. Two paper copies must also be filed at the OEB's address provided below. Filings must clearly state the sender's name, postal address and telephone number, fax number and e-mail address. Parties must use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at <http://www.oeb.ca/Industry>. If the web portal is not available parties may email their documents to the address below. Those who do not have internet access are required to submit all filings on a CD in PDF format, along with two paper copies. Those who do not have computer access are required to file 7 paper copies.

All communications should be directed to the attention of the Registrar at the address below, and be received no later than 4:45 p.m. on the required date.

With respect to distribution lists for all electronic correspondence and materials related to this proceeding, parties must include the Case Manager, Fiona O'Connell at fiona.oconnell@oeb.ca and OEB Counsel, Lawren Murray at Lawren.Murray@oeb.ca.

ADDRESS

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4
Attention: Registrar

E-mail: boardsec@oeb.ca
Tel: 1-888-632-6273 (Toll free)
Fax: 416-440-7656

DATED at Toronto, **July 19, 2018**

ONTARIO ENERGY BOARD

By delegation, before: Rudra Mukherji

Original signed by

Rudra Mukherji
Associate Registrar

Schedule A

To

Procedural Order No. 1

Erie Thames Powerlines Corporation

EB-2017-0038

Applicant and List of Intervenors

July 19, 2018

Erie Thames Powerlines Corporation
EB-2017-0038

APPLICANT & LIST OF INTERVENORS

July 19, 2018

APPLICANT

Rep. and Address for Service

Erie Thames Powerlines Corporation

Graig Pettit

Vice President & General Manager
Erie Thames Powerlines Corporation
P. O. Box 157
143 Bell Street
Ingersoll, ON N5C 3K5

Tel: 519-485-1820
Fax: 519-485-5838
oeb@erithamespower.com

Erie Thames Powerlines Corporation

Chris White

President
Erie Thames Powerlines Corporation
P.O. Box 157
143 Bell Street
Ingersoll ON N5C 3K5

Tel: 519-485-1820 Ext: 235
Fax: 519-485-4703
cwhite@erithamespower.com

Scott Brooks

Director
Erie Thames Powerlines Corporation
P.O. Box 157
143 Bell Street
Ingersoll ON N5C 3K5

Tel: 519-485-1820 Ext: 239
Fax: 519-485-5838
sbrooks@erithamespower.com

**Erie Thames Powerlines Corporation
EB-2017-0038**

APPLICANT & LIST OF INTERVENORS

July 19, 2018

**Erie Thames Powerlines
Corporation**

Chuck deJong

Director
Erie Thames Powerlines Corporation
P.O. Box 157
143 Bell Street
Ingersoll ON N5C 3K5
Tel: 519-485-1820 Ext: 230
Fax: 519-485-5838
cdejong@erithamespower.com

APPLICANT COUNSEL

Scott Stoll

Counsel
Aird & Berlis LLP
181 Bay Street
Suite 1800, Box 754
Brookfield Place
Toronto ON M5J 2T9
Tel: 416-865-4703
Fax: 416-863-1515
[sstoll@airdberlis.com](mailto:ssoll@airdberlis.com)

INTERVENORS

Rep. and Address for Service

**Consumers Council of
Canada**

Julie Girvan

Consultant
Consumers Council of Canada
62 Hillside Ave. East
Toronto ON M4S 1T5
Tel: 416-322-7936
Fax: 416-322-9703
jgirvan@uniserve.com

Erie Thames Powerlines Corporation
EB-2017-0038

APPLICANT & LIST OF INTERVENORS

July 19, 2018

**Consumers Council of
Canada**

Shelley Grice

Consultant
Econalysis Consulting Services
34 King Street East
Suite 630
Toronto ON M5C 2X8
Tel: 647-880-9942
Fax: 416-348-0641
shelley.grice@rogers.com

School Energy Coalition

Wayne McNally

SEC Coordinator
Ontario Public School Boards' Association
439 University Avenue
18th Floor
Toronto ON M5G 1Y8
Tel: 416-340-2540
Fax: 416-340-7571
wmcnally@opsba.org

Jay Shepherd

Counsel
Shepherd Rubenstein Professional Corporation
2200 Yonge St.
Suite 1302
Toronto ON M4S 2C6
Tel: 416-483-3300
Fax: 416-483-3305
jay@shepherdrubenstein.com

Erie Thames Powerlines Corporation
EB-2017-0038

APPLICANT & LIST OF INTERVENORS

July 19, 2018

School Energy Coalition

Mark Rubenstein

Counsel
Shepherd Rubenstein Professional Corporation
2200 Yonge St.
Suite 1302
Toronto ON M4S 2C6
Tel: 416-483-3300
Fax: 416-483-3305
mark@shepherdrubenstein.com

**Vulnerable Energy
Consumers Coalition**

John Lawford

Counsel
Vulnerable Energy Consumers Coalition
c/o Public Interest Advocacy Centre (PIA)
One Nicholas St.
Suite 1204
Ottawa ON K1N 7B7
Tel: 613-562-4002 Ext: 25
Fax: Not Provided
lawford@piac.ca

Mark Garner

Project Manager
Econalysis Consulting Services
34 King Street East, Suite 630
Toronto ON M5C 2X8
Tel: 647-408-4501
Fax: 416-348-0641
markgarner@rogers.com

Bill Harper

Econalysis Consulting Services
34 King Street East
Suite 630
Toronto On M5C 2X8
Tel: 416-348 0193
Fax: Not Provided
bharper@econalysis.ca

Schedule B

To

Procedural Order No. 1

Erie Thames Powerlines Corporation

EB-2017-0038

Issues List from Scoping Decision

July 19, 2018

Schedule B
Issues List from Scoping Decision
Erie Thames Powerlines Corporation
EB-2017-0038

1) Rate Base

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

This issue includes:

- a) Has ETPL adequately addressed any discrepancies that could affect opening rate base?
- b) Has ETPL adequately addressed any impacts to ETPL's proposed net book value from the removal of fully amortized assets?
- c) Has ETPL adequately addressed its allocation of material burden since 2013?
- d) Is ETPL's accounting treatment of customer contributions correct?

2) Distribution System Plan (DSP) and Capital Expenditures

Are ETPL's proposed capital expenditures appropriate and have the trade-offs with the proposed level of Operating Costs been given adequate consideration?

This issue includes:

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

- c) 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?
- d) 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?
- e) Has ETPL provided sufficient information as to the means which it uses to assess data accuracy?
- f) 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?”
- g) Has ETPL provided an adequate explanation as to why its per km costs are in the highest quartile of LDC per km costs?
- h) Has ETPL adequately justified the appropriateness of its approach to investment decisions?
- i) Has ETPL provided appropriate justification for its proposed pole replacement program?
- j) 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?
- k) 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?
- l) 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?

3) Operating Costs

Are ETPL's operating costs appropriate?

This issue includes:

- a) 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?
- b) Is ETPL's conclusion that it is clearly performing well when compared to its expected cost calculation justified?
- c) 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?
- d) 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?
- e) 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?
- f) Are the accounting changes which have shifted costs away from O&M and into Administration appropriate?
- g) Are the portions of affiliate costs allocated to ETPL appropriate and, if so, why?
- h) 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?
- i) Is ETPL's proposal to establish a five-year useful life for smart metering assets appropriate as this is not within the Kinectrics range?

4) Cost of Long-Term Debt

- a) 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 EARTH Corporation, an affiliate of ETPL, which have rates of 2.5 percent?
- b) Has ETPL calculated interest expense appropriately for promissory notes shown as issued on the last days of 2015, 2017 and 2018 respectively?

5) Load Forecast and Other Revenue (*written submissions only*)

- a) Is ETPL's proposed Load Forecast appropriate, including the interrelationship with, and impacts of, other issues?
- b) Is ETPL's proposed Other Revenue appropriate, including the interrelationship with, and impacts of, other issues?

6) Revenue Sufficiency/Deficiency (*written submissions only*)

- a) Has ETPL's proposed Revenue Sufficiency/Deficiency been accurately determined, given the impacts from the hearing of other issues?

7) Cost Allocation

- a) 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?
- b) Is ETPL's proposal for a final standby rate appropriate?
- c) Are any changes to ETPL's proposed cost allocation needed as a result of the hearing of other issues? (*written submissions only*)

8) Rate Design (*written submissions only*)

- a) Are ETPL's proposed bill impacts related to the Sentinel Lighting rate class appropriate?

b) Are any changes to ETPL's proposed rate design needed as a result of the hearing of other issues?

9) Deferral and Variance Accounts

a) Are ETPL's proposals for the disposition of Group One accounts appropriate, including the allocation of the Global Adjustment between Regulated Price Plan (RPP) and non-RPP customers and general consistency in the continuity schedules?

b) 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?

c) Is ETPL's request for a new variance account related to Other Post-employment Benefits (OPEBs) appropriate given that the OEB has previously established an account for such variances?