



Hydro Ottawa Limited

**Application for electricity distribution rates and other
charges for the period from January 1, 2021 to
December 31, 2025**

**DECISION ON ISSUES LIST AND PROCEDURAL ORDER NO. 3
June 22, 2020**

Hydro Ottawa Limited (Hydro Ottawa) filed a custom incentive rate-setting application with the Ontario Energy Board (OEB) on February 11, 2020 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 Hydro Ottawa charges for electricity distribution, beginning January 1, 2021, and for each following year through to December 31, 2025.

In its Procedural Order No.1 and Decision on Confidentiality dated March 31, 2020, the OEB set out an initial schedule that included, among other matters, the scoping of a proposed issues list. In Procedural Order No. 2 dated May 29, 2020, the schedule was amended to reflect the OEB's decision to grant Hydro Ottawa an extension to the deadline for filing interrogatory responses and to allow OEB staff a similar extension to file expert evidence.

On June 12, 2020, OEB staff filed a proposed issues list that had been agreed to by all parties in the proceeding.

The OEB has reviewed the proposed issues list and finds it appropriate for this proceeding. The final approved issues list is attached as Schedule A to this Decision and Procedural Order.

The OEB has also reviewed the responses to interrogatories provided by Hydro Ottawa and has determined that a technical conference would be beneficial in identifying and narrowing down the key issues going forward. The technical conference will also provide parties an opportunity to seek clarification and ask follow-up questions with respect to the expert evidence of Pacific Economics Group Research LLC (PEG).

In addition, the OEB has decided that provision will be made for a settlement conference between Hydro Ottawa and the parties with the intent to settle as many issues as possible.

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. The approved issues list is attached as Schedule A.
2. A transcribed technical conference will be held on **July 15, 2020** and on **July 16, 2020** starting at 9:30 a.m. The scope of the technical conference will be limited to clarification of any matters arising from the interrogatories to Hydro Ottawa as well as the interrogatories to PEG. If required, the technical conference will continue on **July 17, 2020**. The format for this event will be conducted by way of a virtual hearing. Further information on how to connect to the proceeding will be communicated to parties closer to the date. Parties intending to participate are to notify Hydro Ottawa and copy all parties, of the topic areas for questioning by **July 10, 2020**.
3. Any technical conference undertakings shall be filed with the OEB no later than **July 29, 2020**.
4. A settlement conference shall be convened on **August 10-12, 2020** starting at 9:30 a.m. with the objective of reaching a settlement among the parties on the issues. If necessary, the settlement conference may continue on **August 13, 2020**. The settlement conference will be conducted by way of a virtual meeting. Further information on how to connect to the proceeding will be provided to parties closer to the date.
5. Any settlement proposal arising from the settlement conference shall be filed with the OEB by **August 27, 2020**. In addition to outlining the terms of any settlement, the settlement proposal should contain a list of any unsettled issues, indicating with reasons whether the parties believe those issues should be dealt with by way of oral or written hearing.
6. Any submission from OEB staff on a settlement proposal shall be filed with the OEB and served on all parties by **September 8, 2020**.

7. If there is no settlement proposal arising from the settlement conference, Hydro Ottawa shall file a statement to that effect with the OEB by **August 20, 2020**. In that event, parties shall file and serve on the other parties by **August 27, 2020** any submissions on which issues should be heard in writing, and for which issues the OEB should hold an oral hearing.

All materials filed with the OEB must quote the file number, **EB-2019-0261**, be made in searchable/unrestricted PDF format electronically through the OEB's web portal at <https://pes.ontarioenergyboard.ca/eservice>. Filings must clearly state the sender's name, postal address, 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 <https://www.oeb.ca/industry>. If the web portal is not available, parties may email their documents to the address below.

NOTE: The OEB is temporarily waiving the paper copy filing requirement until further notice. All communications should be directed to the attention of the Board Secretary 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, Shuo Zhang at Shuo.Zhang@oeb.ca and OEB Counsel, James Sidlofsky at James.Sidlofsky@oeb.ca.

ADDRESS

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P.O. Box 2319
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Attention: Board Secretary

Email: boardsec@oeb.ca
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Fax: 416-440-7656

DATED at Toronto, **June 22, 2020**

ONTARIO ENERGY BOARD

Original signed by

Christine E. Long
Registrar and Board Secretary

SCHEDULE A
DECISION ON ISSUES LIST
AND
PROCEDURAL ORDER NO.3

EB-2019-0261

HYDRO OTTAWA LIMITED

APPROVED ISSUES LIST

JUNE 22, 2020

Approved Issues List
EB-2019-0261
Hydro Ottawa Limited
2021-2025 Rates

1.0 General

- 1.1 Has Hydro Ottawa responded appropriately to all relevant OEB directions from previous proceedings, including commitments from prior settlement agreements?
- 1.2 Is the proposed effective date of January 1, 2021 appropriate?
- 1.3 Are the rates and bill impacts resulting from Hydro Ottawa's application for 2021 appropriate, are rate mitigation proposals required for any rate classes?
- 1.4 Were Hydro Ottawa's stakeholder (including customer) engagement activities sufficient to enable customer needs and preferences to be adequately considered in the formulation of its application (including proposed spending, business plan and distribution system plan)?

2.0 Custom Incentive Rate-setting

- 2.1 Is Hydro Ottawa's proposal for a five-year Custom Incentive Rate-setting (Custom IR) plan appropriate, in accordance with OEB policies in the Rate Handbook and related OEB documents, supported by its capital and operating budget forecasts for 2021-2025?
- 2.2 Are all elements (e.g., inflation and productivity factors, earnings sharing mechanism, Z-factors, off-ramps) of Hydro Ottawa's Custom IR proposal for the determination of rates appropriate, are they consistent with OEB policies such as the Rate Handbook, and are these adequately supported?
- 2.3 Is Hydro Ottawa's proposed custom performance scorecard appropriate?
- 2.4 Is the annual performance reporting proposed by Hydro Ottawa appropriate?

- 2.5 Are the benchmarking studies and analyses provided responsive to the OEB's expectations in the Rate Handbook, and are the results supportive of Hydro Ottawa's Custom IR plan?
- 2.6 Does the Custom IR plan adequately account for productivity and efficiency gains in its proposed OM&A and capital expenditures?

3.0 Rate Base and Capital Plan

- 3.1 Are the proposed 2021-2025 rate base amounts (including the working capital allowance amounts and the inclusion of New Facilities and Connection Cost Recovery Agreement Payments into the 2021 opening rate base) reasonable?
- 3.2 Is the level of proposed 2021-2025 capital expenditures and capital in-service additions (including the Cambrian municipal transformer station) arising from the distribution system plan appropriate, and is the rationale for planning and pacing choices, including trade-offs between capital and operating costs, appropriate and adequately explained?
- 3.3 Does Hydro Ottawa's investment planning process consider appropriate planning criteria? Does it adequately address the condition of distribution assets, service quality, system reliability, and the availability of non-wires alternatives (NWAs), including distributed energy resources, in its planning processes and propose NWAs where appropriate?
- 3.4 Has Hydro Ottawa appropriately considered measures to cost-effectively reduce distribution losses in its planning processes and included such measures where appropriate?

4.0 Load and Other Revenue Forecast

- 4.1 Are Hydro Ottawa's 2021-2025 load and customer forecasts, including the application of Conservation and Demand Management savings and the setting of the savings references for Lost Revenue Adjustment Mechanism Variance Account threshold appropriate?
- 4.2 Are Hydro Ottawa's 2021-2025 other revenue and shared services forecasts reasonable?

5.0 Operations, Maintenance and Administration (OM&A) Costs, Depreciation Expenses and Payments in Lieu of Taxes (PILs) Amounts

- 5.1 Is the level of proposed 2021 OM&A expenditures appropriate and is the rationale for planning choices appropriate and adequately explained?
- 5.2 Is the proposed shared services cost allocation methodology and the quantum appropriate?
- 5.3 Are Hydro Ottawa's proposed depreciation expenses for 2021-2025 appropriate?
- 5.4 Are Hydro Ottawa's proposed PILs and other tax amounts for 2021-2025 appropriate?

6.0 Cost of Capital

- 6.1 Are Hydro Ottawa's proposed 2021-2025 cost of capital amounts (interest on debt and return on equity) appropriate and consistent with the OEB's policies on rate-setting and the cost of capital?

7.0 Cost Allocation and Rate Design

- 7.1 Are Hydro Ottawa's cost allocation and revenue-to-cost ratio proposals appropriate?
- 7.2 Are Hydro Ottawa's inputs to the cost allocation model appropriate and are costs appropriately allocated?
- 7.3 Are Hydro Ottawa's proposals for rate design (including, but not limited to, fixed / variable split, loss factors, retail transmission service rates, low voltage charges, generator charges including MicroFIT, retail service charges, specific and other service charges) appropriate?
- 7.4 Is Hydro Ottawa's proposal to eliminate the transformer ownership credit effective November 1, 2025 appropriate?

- 7.5 Is the proposed Standard Supply Service (SSS) Administrative charge appropriate?
- 7.6 Is the proposed application of Hydro Ottawa's Custom Price Escalation Factor to retail service charges, generator charges including MicroFIT, SSS Administrative charge, and specific service charges appropriate?

8.0 Accounting and Deferral and Variance Accounts

- 8.1 Have the impacts of any changes in accounting standards, policies, estimates and adjustments been properly identified and recorded, and is the rate treatment of each of these impacts appropriate?
- 8.2 Are Hydro Ottawa's proposals for the disposition of balances in existing deferral and variance accounts (including the New Facilities deferral account) appropriate?
- 8.3 Are Hydro Ottawa's proposals for the establishment of new accounts, closing of existing accounts, modifications of existing accounts or continuation of existing accounts appropriate?