

Ontario Energy Board  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, ON M4P 1E4  
Attn: Ms. C. Long  
Registrar and Board Secretary

July 16, 2020

Dear Ms. Long

Re: **Q3 Carrying Charges**

This letter provides the Electricity Distributors Association's (EDA) comments on the Ontario Energy Board's (OEB) June 16 letter that set the Carrying Charge for the third quarter of 2020 at 1.38%.

The EDA recognizes that the OEB's long standing policy of setting the Carrying Charge and Construction Work in Progress rates, based on prevailing capital market conditions, achieves fairness as it neither creates a financial opportunity for the rate payer nor the utility. The policy's enduring application demonstrates that it appropriately balances the consumers' need for sound regulatory processes and findings and the LDC's need to record Carrying Charges that maintain its financial viability. The customer and the utility need to be kept financially whole. The customer expects to be held financially indifferent to the LDC carrying this credit balance, and when the balance recorded in the account is disposed of through rates, the LDC should be effectively passing through to the customer the interest it was able to earn in the market place while it held the customer's cash. The EDA acknowledges that any disconnect between capital market conditions and the level of the carrying charge could result in an inappropriate outcome.

Consider, for example, the case of the local distribution company (LDC) that is in a debit position to its customers, colloquially the customer owes the LDC money because of an under recovery. If the Carrying Charge rate is set at a level that is lower than that available in short term credit markets, then the LDC will be under compensated and the customer be somewhat better off financially.

The EDA recognizes that capital markets are exhibiting atypical levels of volatility as the economy responds to lockdowns necessitated for public health reasons. The EDA anticipates that, at a point in the future, all parties will be able to correctly understand whether this volatility should be treated as an outlier or if it represents a turning point that establishes a new trend in capital markets. Until that point in time there is merit in the OEB formally preserving its ability to review and, if appropriate, revise the Carrying Charge rate. The EDA proposes that the OEB authorize the Q3 Carrying Charge rate on an interim basis to avoid any issue in a future period over the OEB's legal power to amend it.

The EDA acknowledges that the COVID-19 pandemic is causing disruption in all aspects of life and the economy, and that policies developed for business-as-usual conditions may be of questionable applicability. In future we suggest that the OEB provide notice at the earliest opportunity of:

- the regulatory policies that the OEB considers may not be suitable under pandemic or post-pandemic conditions
- the OEB's preferred alternative.

While time may not always permit an orderly engagement with the affected interests, it is important that the affected interests be notified.

Thank you for the opportunity to comment on the OEB's Q3 Carrying Charge rate and the process that gave rise to it. Please do not hesitate to contact Kathi Farmer, the EDA's Senior Regulatory Affairs Advisor at [kfarmer@eda-on.ca](mailto:kfarmer@eda-on.ca) or at 416.659.1546 if you have any questions or require any clarifications.

Sincerely

*Original signed by*

Ted Wigdor  
Vice President, Policy, Government & Corporate Affairs