



BY E-MAIL AND WEB POSTING

April 15, 2021

**To: All Rate-regulated Electricity Distributors
All Intervenors in Electricity Distribution Rate Proceedings for 2021 Rates**

**Re: Consultation on Updates to Filing Requirements for Electricity Distribution
Cost of Service Applications
Ontario Energy Board File No.: EB-2021-0076**

As part of its path to modernization, the OEB launched an initiative in December to find efficiencies in the rate application process for smaller electricity distributors ([December letter](#)). A virtual meeting was held on January 28, 2021. Electricity distributors with less than 20,000 customers, their representatives and OEB staff, discussed challenges they face in preparing cost of service rate applications, and how the filing requirements¹ could be amended to address those challenges.

The purpose of this letter is to make stakeholders aware of the launch of a new set of pilot projects and to invite participation in a new working group to advance this initiative.

In the December letter, the OEB indicated that it intended to prepare a draft version of updated filing requirements for comment by all stakeholders. The OEB has decided that a practical next step in the review of the information expectations for smaller distributors is to test a set of proposals that arose out of the meeting with the small distributors.

As a result of a number of deferral requests that the OEB received and approved for 2022 cost of service filers, there are now five small utilities that plan to file applications for 2022 rates.² This will allow the OEB to pilot the proposed changes to the filing requirements with these five utilities, with the benefit of participation by intervenors, before making final amendments to the filing requirements for all small utilities. The OEB has concluded that applying the proposed approaches in actual circumstances will assist with the assessment of their effectiveness.

¹ Filing Requirements for Electricity Distribution Rate Applications - 2020 Edition for 2021 Rate Applications - Chapters 2 and 5

² ELK Energy Inc., Grimsby Power Incorporated, Lakefront Utilities Inc., Ottawa River Power Corporation, Rideau St. Lawrence Distribution Incorporated.

The purpose of the pilots will be to determine if the proposed changes adequately address the challenges being faced by small electricity distributors and improve regulatory efficiency, while ensuring the OEB has adequate information on which to make decisions that continue to result in just and reasonable rates.

A set of proposed changes to the filing requirements which the OEB will test as part of the pilot proceedings for small utilities for 2022 rates are listed in Appendix A. The OEB anticipates receiving feedback on these pilots following each proceeding.

Intervenors from the five utilities' previous cost of service applications will be invited to participate in discussions with the applicants and OEB staff before the applications are filed so that all potential parties to each proceeding will have a good understanding of the revisions to the filing requirements. Further information will be provided to the applicants and intervenors shortly.

The OEB will continue to review the future feasibility of other suggestions identified in Appendix B that are not currently being addressed either for the shorter-term pilots or for the longer term (2023 rates and beyond).

The OEB also heard from Hydro One Remote Communities, Algoma Power Inc. and the three First Nations that they are unique. The OEB will seek separate feedback from these utilities.

Working Group to Review Filing Requirements for Small Utilities for 2023

The OEB will establish a working group to review filing requirements for small utilities for 2023 rates and beyond that will consist of representatives from electricity distributors with less than 20,000 customers, intervenors and OEB staff. The OEB anticipates that the Working Group will review the details of the cost of service appendices, models and any other elements of the Chapters 2 and 5 filing requirements that have not been addressed in the pilots for 2022 rates.

Those interested in participating are requested to indicate their interest by filing a letter with the OEB indicating who they represent, and where applicable, a request for cost eligibility, to the attention of the Registrar quoting EB-2021-0076 at registrar@oeb.ca, by 4:45 p.m. on April 29, 2021.

Based on the nominations, the OEB expects to select a representative group of stakeholders. It is important that the size of the working group is such that it can work

effectively. Groups representing the same interests or constituency are encouraged to make every effort to co-ordinate their nominations for participation in the working group.

Cost Awards

Cost awards will be available to eligible participants in the working group. Cost awards will cover preparation, attendance and reporting time in relation to each working group meeting. The number of hours per participant will be determined prior to the first meeting. The OEB will apply the principles set out in section 5 of its Practice Direction on Cost Awards when awarding costs. The maximum hourly rates set out in the OEB's Cost Award Tariff will be applied.

As noted in the December letter, the OEB also intends to conduct a review of Chapters 2 and 5 of the filing requirements for all utilities. Further information on this initiative will be provided in due course.

Any questions relating to this letter should be directed to Kevin Mancherjee at kevin.mancherjee@oeb.ca.

Yours truly,

Original signed by

Christine E. Long
Registrar

Appendix A

Proposed Revisions to Pilots for Small 2022 Cost of Service Filers

General

- Use 20,000 customers as the threshold; results in half of utilities being considered 'small'
- Information in filing requirements needs to be provided only once, e.g. if information is provided in one Exhibit, it does not need to be repeated
- Certain documents only need to be filed if requested (e.g. Procurement Policy (2.4.3.3), Tax Returns (2.4.5.1))

Chapter 2

- Section 2.0.8 - Reinforce that all parties should focus on material issues, unless they are of a policy nature
- Generally, for Exhibit 1 - report by exception only where the information is readily available – what has changed since last rebasing, e.g. accounting practices, organization structure, service territory
- Combine Sections 2.1.2 (Executive Summary), 2.1.3 (Customer Summary) and 2.1.6 (Application Summary) into requirement for one plain language summary
- Section 2.1.8 – Remove requirement to file scorecard with discussion, (to be obtained from Reporting and Record-keeping Requirements (RRR) filings)
- Section 2.1.9 – Remove requirement to file audited financial statements and reconcile to regulatory accounting, (to be obtained from RRR filings)
- Section 2.2.1.1 - Only require detailed variance analysis for one historical year and bridge year
- Section 2.2.1.2 - For asset continuity schedules only require fixed asset continuity schedules back to last OEB approved year by investment category; one historic year and the bridge year should be provided by USoA account
- Section 2.3.1.2 – Confirm that Normalized Annual Consumption (NAC) is and has always been an accepted methodology of load forecasting
- Section 2.7.1 - Provide guidance to utilities on acceptable methodologies for updating cost allocation load profiles and permit use of standard weighting factors

Chapter 5 - Distribution System Plan (DSP)

- Allow small utilities to file a streamlined DSP plus CEO confirming adherence to Distribution System Code (DSC) and Electrical Safety Authority (ESA) requirements

Process

- Continue to offer the option of virtual settlements/technical conferences/oral hearings even if not required as a result of the COVID pandemic
- Use informal process to correct errors before the filing of interrogatories by OEB staff and intervenors as has been tested for Espanola and North Bay.
- Allow for affidavit for notice to be attested to by commissioner of oaths instead of notarized

Appendix B

What We Heard

From the January 28, 2021 session, a number of comments and suggestions were made as summarized below.

General

- Small utilities lack dedicated resources to prepare applications – staff have other responsibilities, there can be high turnover and lack of experience – need to hire outside help (legal, rates consultant or asset management)
- Costs to prepare an application for small utilities are prohibitive – can be a large portion of the revenue deficiency; between \$2.50 to \$5.00/year/customer
- OEB should leverage information already filed by utilities, e.g. RRR data, annual financial statements
- Remove any duplicate requests for information in filing requirements, e.g. in written evidence and Appendices
- Break the application into small parts over the five-year Price Cap IR term - e.g. allow Group 1 & 2 Deferral and Variance Accounts (DVAs) to be disposed during any year; file documents which could be checked by the OEB in Incentive Rate-setting Mechanism years; file DSP and do Cost Allocation in non-rebasing year
- Develop a standard cost of service application for small utilities (utilities willing to work with OEB and intervenors)
- Common issues should be dealt with through generic hearings, e.g. standby rates, gross load billing
- There should be a separate consultation on rate-setting framework and rebasing cycle
- Longer rebasing cycle with better mechanisms to recover capital, e.g. a capital tracker would allow utilities to be financially viable for longer periods
- Shorter rebasing cycle (e.g. four years) could allow alternating the areas of focus in successive rebasing applications (e.g. capital investments one application, cost allocation in another)
- Annual IR – use assigned stretch factors, do not require a DSP every five years, allow for an Incremental Capital Module and Group 2 DVAs to be disposed
- Allow use of Historic Test Year
- Prioritize filing requirements based on drivers of revenue deficiency or changes in revenue requirement; explain how requirements are used and the value of the information to be provided
- Administer the filing requirements more flexibly, i.e. as proposed for Espanola

Chapter 2

- Reduce Exhibit 1 to only include one summary, legal requirements, what has changed since last rebasing and customer engagement (if required); remove all financial, performance measurement and technical information
- Customer Engagement – smaller utilities are integrated within their communities; lack of clarity on what is expected; remove requirement to engage formally or provide guidance
- Materiality - review levels with intent to increase and apply more consistently
- Limit detailed variance analysis to most recent years, only what is required, e.g. detailed fixed asset continuity for most recent historical year and bridge year) and by investment category for more historical years
- Load forecast – with move to more fixed rates reduce emphasis on requirements; develop standard regression model; allow use of NAC methodology
- Cost Allocation – allow use of defaults for weighting factors; provide standard approach to updating load profiles
- Survey results (e.g. biennial customer satisfaction survey) filed as part of the RRRs are high cost; reconsider need for this requirement
- Allow utility to file Operating, Maintenance & Administration (OM&A) costs by USoA, not programs

Chapter 5 - Distribution System Plan

- The DSP is costly and time consuming to prepare
- Provide option of submitting a capital investment plan instead of a DSP (but still maintain five years historical and five years forecast information)
- Remove references to inspections/maintenance in DSP and have CEO confirm adherence to DSC and (ESA) requirements
- Combine DSP and Chapter 2 to avoid repetition

Process

- Allow utilities the option of virtual settlements/technical conferences/hearings
- Replace notarized affidavit for notice with affidavit signed by CEO
- Some documents could be filed only if required, e.g. procurement policies, shared services agreement, tax returns
- Having to rerun models and update evidence after filing application duplicates work and adds risk of mismatched information
- Intervenor costs should be capped; intervenors using inflation envelope approach for OM&A in settlements yet require detailed information

- OEB should consolidate interrogatories from staff and intervenors to remove duplication and ensure that there is a clear link to costs or creating value to the customer
- Allow more time for utilities to respond to interrogatories
- Incomplete letter – don't let it hold up the process; use informal process to correct for errors in data (utilities support current OEB initiative to use informal clarification questions to correct record)