Ontario Energy Board | Commission de l'énergie de l'Ontario

BY EMAIL

May 20, 2022

Ms. Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4
Registrar@oeb.ca

Dear Ms. Marconi:

Re: Ontario Energy Board (OEB) Staff Submission
Rideau St. Lawrence Distribution Inc.
Cost of Service
OEB File Number: EB-2021-0056

Please find attached OEB staff's submission in the above referenced proceeding, pursuant to the OEB's May 2, 2022 letter. Rideau St. Lawrence Distribution Inc. and all intervenors have been copied on this filing.

Yours truly,

Original Signed By Margaret DeFazio Digitally signed by Margaret DeFazio Date: 2022.05.20 15:30:56 -04'00'

Margaret DeFazio, P.Eng.
Senior Advisor – Electricity Distribution: Major Rate Applications & Consolidations

Encl.

cc: All Parties in EB-2021-0056

ONTARIO ENERGY BOARD

OEB Staff Submission

Rideau St. Lawrence Distribution Inc.

Cost of Service Application

EB-2021-0056

May 20, 2022

Introduction

Rideau St. Lawrence Distribution Inc. (Rideau St. Lawrence Distribution) filed a Cost of Service application with the Ontario Energy Board (OEB) on December 1, 2021, under section 78 of the *Ontario Energy Board Act, 1998* seeking approval for the rates that Rideau St. Lawrence Distribution charges for electricity distribution, effective January 1, 2022.

The OEB issued an approved issues list and interim rate order for this proceeding on February 15, 2022. A settlement conference took place on March 30 and 31, 2022. Rideau St. Lawrence Distribution filed a settlement proposal representing a complete settlement of all issues on May 16, 2022. The parties to the settlement proposal are Rideau St. Lawrence Distribution and the approved intervenors in the proceeding: School Energy Coalition and Vulnerable Energy Consumers Coalition (the Parties).

For a typical residential customer with a monthly consumption of 750 kWh, the total bill impact of the settlement proposal if approved would be an increase of $7.75 per month before taxes and the Ontario Electricity Rebate, or 5.9%.

This submission is based on the status of the record at the time of filing of Rideau St. Lawrence Distribution's settlement proposal and reflects observations that arise from OEB staff's review of the evidence and the settlement proposal. It is intended to assist the OEB in deciding upon the settlement proposal.

Settlement Proposal

OEB staff has reviewed the settlement proposal in the context of the objectives of the Renewed Regulatory Framework[1] (RRF), the Handbook for Utility Rate Applications[2], applicable OEB policies, relevant OEB decisions and the OEB's statutory obligations.

OEB staff submits that the settlement proposal reflects a reasonable evaluation of the distributor's planned outcomes in this proceeding, appropriate consideration of the relevant issues and ensures that there are sufficient resources to allow Rideau St. Lawrence Distribution to achieve its identified outcomes in the five years of the plan from 2022 to 2026.

OEB staff further submits that the explanations and rationale provided by the Parties support the settlement proposal and that the outcomes arising from the OEB's approval of the settlement proposal would reflect the public interest and would result in just and reasonable rates for customers.

Below, OEB staff provide submissions on the following issues in the settlement proposal:

- Issue 1.1 – Capital
- Issue 1.2 – Operating, Maintenance and Administration
- Issue 2.0 – Revenue Requirement
- Issue 3.0 – Load Forecast, Cost Allocation and Rate Design
- Issue 4.0 – Accounting
- Issue 5.1 – Effective Date
- Issue 5.2 – Incremental Capital Module
- Issue 5.3 – Prior Direction

Issue 1.1 - Capital

Rideau St. Lawrence Distribution proposes total net capital expenditures of $797k for the 2022 test year. The largest area of capital investments is system renewal which focuses on distribution asset replacement as outlined in Rideau St. Lawrence Distribution's Distribution System Plan (DSP), as amended in the settlement proposal.

In response to the pre-settlement questions Rideau St. Lawrence Distribution moved the expenditures related to the Morrisburg MS2 substation reconstruction from System Access to System Renewal to better reflect the drivers for the project. Construction of feeders from the relocated station totaling expenditures of $225k will be completed and placed in service in 2022. The reconstruction of the station in the new location totals

[1] *Report of the Board on Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach*, October 18, 2012
[2] *Handbook for Utility Rate Applications*, October 13, 2016

$775k in 2022 and 2023; this is the subject of an ACM described in more detail below.

The System Access forecast for the test and future years was revised to $128k by using the average of expenditures from 2016 through 2021 and forecasting related capital contributions at 80% of the gross. A revised 2022 forecast for the Bell fibre-to-the-home capital contributions was provided at $158k, resulting in 2022 capital contributions of $260k.

The Parties have agreed that the 2021 net book value, capital budget and forecast net in-service additions for the test year contained in the settlement proposal are appropriate.

OEB staff supports the settlement on capital items.

Advanced Capital Module (ACM)

Background

Prior to the settlement conference, Rideau St. Lawrence Distribution informed OEB staff and intervenors it was revising its capital plans to apply for relief under the OEB's ACM funding mechanism for the Morrisburg MS2 substation. The substation is a 5MVA, 44kV-2.4kV station with two distribution feeders located at the northern area of Morrisburg.

Rideau St. Lawrence Distribution's DSP classified the condition of the substation as critical, requiring immediate replacement.[3] Total project costs for the substation reconstruction are $275k in 2022 and $500k in 2023, for a total expenditure of $775k with the station entering service in 2023.

Materiality

The *Report of the OEB: New Policy Options for Funding of Capital Investments: The Advanced Capital Module*[4] (ACM Report) states that distributors must meet an OEB-defined materiality threshold and project specific materiality threshold. The ACM Report explains materiality as follows:

> Any incremental capital amounts must fit within the total eligible incremental capital amounts (as defined in this ACM Report) and must clearly have a significant influence on the operation of the distributor.[5]

Rideau St. Lawrence Distribution calculated the maximum eligible incremental capital

[3] EB-2021-0056, DSP, Table 19, Page 33
[4] EB-2014-0219, September 18, 2014
[5] ACM Report, Page 17

amount to be $572k. The amount of $775k for the Morrisburg MS2 substation project exceeds the maximum eligible incremental capital amount. OEB staff submits that the maximum eligible incremental capital amount in the model is correct.

Rideau St. Lawrence Distribution stated the capital amount of $775k is a significant cost of the consolidated 2023 capital budget, which totals $1.25M. From the Rideau St. Lawrence Distribution DSP, historical gross annual capital expenditures from 2016 to 2020 ranged from $480k in 2016 to $1,202k in 2017 (which included expenditures for a line truck that received ICM funding)[6] for a yearly average of $714k. OEB staff agrees that the expenditures for the Morrisburg MS2 substation are not minor expenditures in comparison to the overall budget of Rideau St. Lawrence Distribution and would have a significant impact on the operation of the distributor. OEB staff submits that the $775k capital expenditures does meet the project materiality threshold.

Need

The ACM Report describes the need criterion as follows:

- The distributor must pass the Means Test (as defined in the ACM Report)
- Accounts must be based on discrete projects and should be directly related to the claimed driver
- The amounts must be clearly outside of the base upon which the rates were derived.[7]

Under the Means Test, funding for an ACM project would not be approved if a distributor’s regulated ROE exceeds 300 basis points above the OEB-approved ROE embedded in the distributor’s rates. Rideau St. Lawrence Distribution provided evidence showing that its ROE for the years 2016 through 2021 was less than the deemed ROE, which satisfies the 300 basis points test. OEB staff submits that Rideau St. Lawrence Distribution has passed the Means Test.

Rideau St. Lawrence Distribution will apply for the ACM rate riders to start recovering the costs of the project in the year that the substation enters service, expected to be in 2023. Consistent with the policy in the ACM Report, and assuming that there are no material changes in the costs or timing, the application for the ACM rate riders should be formulaic, but will use updated information on inflation and growth, for calculating the eligible total incremental capital and the rate riders to collect the associated annual revenue requirement.

Rideau St. Lawrence Distribution submits that the Morrisburg MS2 substation project is

[6] EB-2017-0265
[7] ACM Report, Page 17

a discrete project. OEB staff agrees.

The revised capital plans submitted in the settlement proposal clearly do not include the Morrisburg MS2 substation project. OEB staff agrees the Morrisburg MS2 substation project was not included in the base on which the rebased distribution rates for 2022 are being derived in this application.

Prudence

The ACM Report describes prudence as “The amounts must represent the most cost-effective option (not necessarily least initial cost) for ratepayers.”[8]

Rideau St. Lawrence Distribution has evaluated alternative options to the proposed project and submits that the Morrisburg MS2 substation project is the most-cost effective option for ratepayers.[9]

The decision to rebuild the Morrisburg MS2 resulted from asset condition assessment. As stated in the DSP, “[t]he station was placed in service in 1989 in anticipation of development of the north end of Morrisburg. That development never came to fruition due to a rezoning of the land to protect wetlands.”[10] Relocation of the Morrisburg MS2 substation nearer the load it serves provides operational efficiencies as well as allowing the existing station to stay in-service during construction, thus eliminating the operational risk of having one of the utility’s substations out of service for an extended time period.

OEB staff submits that the Morrisburg MS2 substation project is prudent.

<u>Distribution System Plan</u>

The Rideau St. Lawrence Distribution DSP was filed in 2021 and reviewed by OEB staff as part of this application. The DSP includes historical capital expenditures from 2015 through 2021 and outlines the forecast capital expenditures from 2022 through 2026. The capital expenditures were updated during the settlement proposal to show the revisions outlined on page 3.

[8] ACM Report, Page 17
[9] EB-2021-0056, Settlement Proposal, Page 98
[10] EB-2021-0056, DSP, Page 27

Table 1: Forecast Capital Expenditures[11]

	2021 Bridge Year	2022 Test Year	2023	2024	2025	2026
	($000)					
System Access	264	128	128	128	128	128
System Renewal	753	835	758	593	537	145
System Service	-	-	49	-	94	150
General Plant	97	94	139	89	164	440
Total CAPEX	1,114	1,057	1074	810	923	863
Capital Contributions	-560	-260	-102	-102	-102	-102
Net CAPEX	554	797	972	708	821	761

Capital contributions decrease in 2022 and 2023 due to the completion of the Bell fibre-to-the-home project. System Renewal expenditures decrease with the completion of the Morrisburg MS2 project.

Timing of Expenditures

The forecast expenditures for the Morrisburg MS2 station are $275k in 2022 and $500k in 2023. The entire project expenditure of $775k would be placed in service in late 2023. In the settlement proposal the parties agreed to treat the total expenditure of $775k as if it occurred in 2023.

OEB staff performed an analysis on the funding of the capital under the ACM under two scenarios.

1. Capital expenditures of $775k ($275k + $500k) are deemed to occur in calendar year 2023. Total of $775 is transferred to fixed assets in 2023. This is the scenario outlined in the settlement proposal.
2. Capital expenditures of $275k included in 2022 test year and $500k included in 2023. Total of $775k is transferred to fixed assets in 2023. This is the scenario that would follow a strict interpretation of the OEB's capital funding policy.

[11] EB-2021-0056, Settlement Proposal, Page 64

Table 2: OEB staff Scenario Calculations

Scenario	Dist Plan Capex 2022	Dist Plan Capex 2023	Materiality Threshold	Maximum Eligible Incremental Capital	MS2	Max Allowed Incremental Capital
	($000)					
1.	522	1,247	675	572	775	572
2.	797	972	675	297	500	297
Difference	-275	275	0	-275	275	-275

Under scenario 1, the proposed scenario, Rideau St. Lawrence Distribution would apply for ACM rate riders for funding of the Morrisburg MS2 station project from ratepayers during the 2023-2026 period, based on $775k capital expenditures in 2023.

Under scenario 2, the 2022 expenditures of $275k would be included in the 2023 fixed assets. Rideau St. Lawrence Distribution would propose a rate rider for ACM funding for the Morrisburg MS2 station project from ratepayers during the 2023-2026 period based on the incremental $500k capital expenditures in 2023. As 2022 is the test year, there would be no direct funding of the $275 during the 2022-2026 period. The maximum allowed incremental capital is lower than in scenario 1 by $275k. Depreciation related expenses for the $275k spent in 2022 would not be collected by the distributor during the 2022-2026 period through an ACM rate rider.

In the context of a full settlement, OEB staff does not oppose the ACM as filed including the treatment of the first tranche of capital spending for the project. Discussion of factors that lead to this position are described below.

The OEB discusses the variance in yearly capital expenditures in the ACM report.[12]

> The concern is that this volatility (i.e., the “roller coaster” effect) of capital investment to fit the rate-regulation schedule does not necessarily align with when the investments should be made under prudent asset management practice. While a significant portion of capital investment may be “routine” (i.e., fairly predictable and levelized), some volatility and lumpiness is not uncommon. The nature of major capital projects, such as transformer station builds or replacement, is one reason that some “bumps” in capital spending may be unavoidable. However, while timing these around when the rate base is “reset” in a cost of service application provides greater assurance of recovery of the investments (if approved), such clustering of projects is often not optimal from an

[12] ACM Report, *op. cit.*, p. 9-10

asset management perspective.

The Morrisburg MS2 substation rebuild is forecast to span two years. If the 2022 costs for the project were reflected in 2022 in the ACM model the result is a significantly lower cost recovery through the rate rider in 2023-2026, incenting Rideau St. Lawrence Distribution to complete the project in one fiscal year. Incenting a “small distributor” with limited technical resources to complete a project in a shorter timeframe for regulatory recovery purposes, rather than sound asset management and distribution planning purposes, could result in higher project costs and/or a lower quality construction, both of which are not in the best interest of the distributor or ratepayer.

Another impact of incenting a distributor to complete the project costs in one year could have been the clustering the project costs around the 2022 test year, resulting in higher in-service additions in the test year. This would have resulted in higher rates for customers in 2022 and subsequent years when compared to the ACM rate rider in 2023 for the eligible incremental amount. Further, if Rideau St. Lawrence Distribution focused its resources on the substation rebuild in one year (2023), this could potentially strain its ability to respond to the needs of existing and new customers in that year.

For the reasons noted above and the fact that RSL is not receiving funding for the entire project cost in any event, OEB staff is not opposed to the agreement made by parties to allow RSL access to funding that is a larger portion of the total project costs.

Issue 1.2 – OM&A

Rideau St. Lawrence Distribution proposed total OM&A spending of $2.49M for the 2022 test year. This represented an increase of $0.4M from 2016 OEB-approved OM&A spending, or a compound annual growth rate of 2.93%. There is no increase in employee headcount proposed during the forecast period.

The Parties agreed to Rideau St. Lawrence Distribution’s proposed 2022 test year OM&A budget.

Rideau St. Lawrence Distribution was in efficiency group III in 2019[13] and in 2020 moved to Group II.[14] OEB staff submits that the proposed OM&A expenses are reasonable.

[13] Empirical Research in Support of Incentive Rate-Setting: 2019 Benchmarking Update, Report to the Ontario Energy Board, Pacific Economics Group Research, LLC, August 2020
[14] Empirical Research in Support of Incentive Rate-Setting: 2020 Benchmarking Update, Report to the Ontario Energy Board, Pacific Economics Group Research, LLC, August 2021

Issue 2.0 – Revenue Requirement

PILS Expense – Accelerated Capital Cost Allowance

Bill C-97 introduced the Accelerated Investment Incentive Program (AIIP), which provides for a first-year increase in capital cost allowance (CCA) deductions on eligible capital assets acquired after November 20, 2018.

In its July 25, 2019 letter (CCA Letter),[15] the OEB provided accounting direction on the treatment of the impacts from accelerated CCA resulting from the AIIP. The OEB established a separate sub-account of Account 1592 - PILs and Tax Variances, Sub-account CCA Changes to track the impact of any differences that result from the CCA change to the tax rates or rules that were used to determine the tax amount that underpins rates.

The CCA Letter also indicated that utilities were to reflect any impacts arising from CCA rule changes in their cost-based applications for 2020 rates and beyond and that the OEB may consider a smoothing mechanism to address any timing differences that could lead to volatility in tax deductions over the rate-setting term.

In the pre-filed evidence, Rideau St. Lawrence Distribution did reflect the impact of the AIIP in its test year's PILs expense and indicated it has a loss carry-forward. The loss carry-forward amount will be reduced by future profitability and taxable income. In the settlement proposal, the Parties accept that PILs are shown as $0 for 2022. RSL has built the impact of the Accelerated Investment Incentive into the PILs model. This subsidized tax credit decreases revenue requirement. The Parties agree that Subaccount 1592 – PILs and Tax Variances – CCA Changes will be available to RSL should the Accelerated Investment Incentive be reduced out over the duration of the IRM term such that RSL is required to pay PILs.

OEB staff supports the agreement reached by the Parties on the PILs expense.

Issue 3.0 Load Forecast, Cost Allocation and Rate Design

Load Forecast

The Parties agreed to the proposed load forecast subject to four changes:

1. Rideau St. Lawrence Distribution had proposed to use a variance account to

[15] Accounting Direction Regarding Bill C-97 and Other Changes in Regulatory or Legislated Tax Rules for Capital Cost Allowance

track lost revenue from a planned closure of one of its largest customers. The parties agreed that a variance account would not be used, and that any loss of load would not be reflected in the load forecast.

2. Updating the load forecast regression model to include 2021 actual data rather than including it as a forecast year.
3. Including a COVID flag variable in the regression analysis for the period of May 2020 to March 2022.
4. To adjust the energy use per customer forecast to use the geometric mean growth rate from 2014 to 2019 (excluding the growth from in 2020 and 2021), and then apply three years of growth at that rate to the 2019 actual use per customer to arrive at the 2022 forecast.

The COVID-19 variable has a coefficient of 442,260 indicating that the monthly wholesale load was 442,260 kWh higher in the months impacted by the shutdown from May 2020 to March 2022.

OEB staff does not have any concerns with the proposed load forecast of 95,549 MWh, 107,758 kW, and 7,752 customers and connections as shown in Table 3.1A of the settlement proposal. Relative to the initial application, this reflects a decrease of 3,384 MWh in the residential rate class and increases of 1,132 MWh to the GS < 50 kW rate class as well as 2,253 MWh and 6,698 kW to the GS 50 to 4,999 kW rate class. OEB staff submits that the agreed-upon load and customer connection forecasts are appropriate.

Cost Allocation

The Parties agreed to the proposed cost allocation subject to changes in the revenue-to-cost ratio adjustments. It was agreed that the revenue-to-cost ratios GS < 50 kW and GS 50 to 4,999 kW would be reduced to 120%, the ceiling for both rate classes. Offsetting increases are proposed for Residential (from 90.61% to 91.08%) and Sentinel Lights (from 81.01% to 89.99%).

OEB staff has no concern with the cost allocation agreed to by the Parties.

Rate Design

The current fixed charges for GS < 50 kW and GS 50 to 4,999 kW rate classes are above the ceiling.[16] Rideau St. Lawrence Distribution proposed, and intervenors agreed that the fixed charges for these rate classes would remain at their current levels. In all

[16] The minimum system with peak load carrying capability from the cost allocation model, which is commonly referred to as the ceiling for fixed charges.

other rate classes, it is proposed that the fixed-variable split be maintained at its current level.

OEB staff has no concern with the proposed rate design.

Low Voltage Rates

Rideau St. Lawrence Distribution initially proposed to recover a forecasted total LV expense of $626,451. This was based on 2020 volumes at Hydro One's 2021 rates plus an estimated increase of 2.2%. The 2021 rates included a rate rider that was forecasted to cost $192,968[17] in 2021 and expire at the end of that year.[18]

Parties agreed that since Hydro One's 2022 rates were available, these should be used in forecasting the low voltage expense. This results in a total low voltage recovery of $454,724.

OEB staff agrees that it is appropriate to use the most current information available when estimating low voltage expense.

Issue 4.0 – Accounting

4.1 Have all impacts of any changes in accounting standards, policies, estimates and adjustments been properly identified and recorded, and is the ratemaking treatment of each of these impacts appropriate?

The Parties agreed that all impacts of any changes in accounting standards, policies, estimates and adjustments have been properly identified and recorded, and the rate-making treatment of each of these impacts is appropriate.

Disposition of Deferral and Variance Accounts

In its pre-filed evidence, Rideau St. Lawrence Distribution proposed to dispose of its Group 1 Deferral and Variance Account (DVA) balances (debit of $126,730) as of December 31, 2020, and Group 2 and other DVA balances (debit of $260,523) as of December 31, 2020, plus interest forecasted up to April 30, 2022, on a final basis. All DVA balances are proposed for disposition over a two-year period except for Account 1568 LRAMVA with a one-year recovery period. The two-year disposition period was proposed as a bill impact mitigation strategy for residential customers.

In the settlement proposal, Parties agreed to dispose of Rideau St. Lawrence Distribution's Group 1 DVA balances (debit of $127,145). The Parties have also agreed

[17] Exhibit 8, Pages 19-21.
[18] EB-2020-0030, Decision and Rate Order, February 18, 2021, Schedule A, page 8.

to the disposition of revised Group 2 and other DVA balances (debit of $203,403) over a two-year period.

OEB staff supports the settlement proposal reached by parties and makes the following submission on certain aspects of the DVAs.

Group 2 DVAs

In its response to an OEB staff interrogatory,[19] Rideau St. Lawrence Distribution indicated that it made some adjustments to Account 1592, Sub-account CCA Changes to accurately reflect differences between accelerated CCA and non-accelerated CCA based on actual capital additions after receiving guidance from their auditor. The adjustment resulted in an increase of approximately $10,000 in the credit balance, in favor of the ratepayers.

The Parties have agreed to use the existing Account 1592, Sub-account CCA Charges, instead of the proposed new sub-account, to record future impacts resulting from the phase out of the Accelerated Investment Incentive program, which is currently anticipated to begin after 2023. The Parties agree that it is reasonable to record both the introduction of CCA change and the phase out of CCA change in this account and that it is consistent with guidance in the OEB's letter dated July 25, 2019, Accounting Direction Regarding Bill C- 97 and Other Changes in Regulatory or Legislated Tax Rules for Capital Cost Allowance.

The Parties agreed to the disposition of Rideau St. Lawrence Distribution's Group 2 DVAs, including Account 1508, Sub-account 2018 Capital Funding True-Up of $26,567 to reflect the ICM (for digger truck). See Issue 5.2 – ICM for further details on this sub-account.

OEB staff does not take issue with the disposition of Group 1 and Group 2 DVAs.

<u>Disposition Period</u>

Rideau St. Lawrence Distribution proposed to dispose of its Group 1 and Group 2 DVAs over two years to mitigate bill impacts except for Account 1568 LRAMVA with one year recovery period. The Parties agreed to a disposition period of two years for all Group 1 and Group 2 DVAs.[20]

OEB staff supports the disposition period for Group 1 and Group 2 DVAs.

[19] EB-2021-0056, Interrogatories 9-Staff-40.
[20] Settlement Proposal, page 38.

Issue 5.1 – Effective Date

Rideau St. Lawrence Distribution had applied on December 1, 2021, for an effective date of January 1, 2022, and to recover revenues within the 2022 rate year. The settlement proposal states that the effective date will be "the first day of the first calendar month immediately after the OEB issues its decision".[21]

OEB staff has no concerns with the effective date in the settlement proposal.

Issue 5.2 – ICM

In its 2016 Cost of Service Application, Rideau St. Lawrence Distribution originally had a digger truck forecasted to be included in the test year. Due to the timing of the filing of the application, Rideau St. Lawrence Distribution was required to file its capital additions for the test year based on 2016 actual results. The digger truck, which was supposed to be delivered in 2016, was delayed until 2017. As such, the cost of this truck was not included in Rideau St. Lawrence Distribution's rate base.

In its 2018 incentive rate-setting mechanism (IRM) proceeding,[22] Rideau St. Lawrence Distribution requested and received approval for incremental capital funding, in the amount of $355,327, to fund the acquisition of the digger truck. The half-year rule was not applied in determining the approved revenue requirement for the digger truck.[23]

In the decision for Rideau St. Lawrence Distribution's 2018 IRM, the OEB considered that the digger truck was put into service in April 2017 and commented on the issue: "the cost recovery for the digger truck beginning in 2018 is not an Incremental Capital Module as the digger truck entered service prior to 2018."[24] Furthermore, in that Decision the OEB also indicated:

> The OEB agrees that the typical approach to the incremental capital module (ICM) is for the incremental funding to start in the year that an asset is planned to go into service. The OEB's models have therefore been designed for this typical situation. However, the OEB considers the approach used for incremental capital funding as part of this settlement proposal consistent with the OEB's policy for the ICM. The policy states that the advanced capital module (ACM) and ICM are for incremental funding for "capital projects scheduled to go into service during the IRM term". The OEB considers any period of time between cost-of-service applications to be part of the IRM term. The digger truck therefore went into

[21] *Ibid.*, Page 43.
[22] EB-2017-0265
[23] Page 30 and 31 of the Chapter 3 Filing Requirements for Electricity Distribution Rate Applications – 2021 Edition for 2022 Rate Applications, June 24, 2021.
[24] Page 4, 5 - EB-2017-0265 – Decision and Rate Order – Rideau St. Lawrence Distribution Inc.

> service during the IRM term. In the unique circumstances of Rideau St. Lawrence Distribution there was no 2017 rate application and, therefore, no incremental funding was available for the digger truck in 2017, but this does not prohibit incremental funding for 2018.[25]

In the current proceeding, the Parties agreed that the actual costs of the digger truck proposed for inclusion in rate base are appropriate and will reflect the use of the half-year rule for depreciation in 2017 when the digger truck was placed into service.

OEB staff agrees with this approach as the half year rule is typically applied in the year the asset was placed into service. Furthermore, OEB staff notes the half year rule has no impact to the incremental funding of the digger truck as Rideau St. Lawrence Distribution's approval was from 2018 onwards.

The Parties agree that the true up amount be included in Account 1508, Sub-account - 2018 Capital Funding True-Up of a debit amount of $26,567 in the DVA Continuity Schedule and to be disposed of over two years. The calculation of the actual revenue requirement effectively prorates the revenue requirement from May 1 to December 31, for 2018 and from January 1 to April 30, for 2022. The revenues collected from ratepayers represent the actual amount recovered from the approved ICM rate rider.

OEB staff has reviewed the calculation of the true-up and takes no issue with it.

Issue 5.2 – Prior Directives

In Rideau St. Lawrence Distribution's 2016 cost of service application,[26] it agreed to "carry out an assessment of the underlying causes of its level of planned outages and scheduled outages and will file that assessment together with RSL's recommendations as part of RSL's next cost of service rebasing application".[27] As part of the settlement proposal, the parties have agreed to accept the evidence filed by Rideau St. Lawrence Distribution as meeting this prior directive.

Also in this settlement proposal, the parties have agreed that Rideau St. Lawrence Distribution will "assess the frequency of its planned and scheduled outages in the DSP to reduce the frequency and duration of outages wherever practical. In its next DSP RSL will explain the results of its efforts to minimize frequency and duration of outages over the course of this rate period".[28]

[25] *Ibid.*
[26] EB-2015-0100
[27] EB-2015-0100, Settlement Proposal, Page 12
[28] EB-2021-0056, Settlement Proposal, Page 46

OEB staff has no concerns with the prior directive or proposed directive.

~All of which is respectfully submitted~