

**Ontario Energy
Board**

**Commission de l'énergie
de l'Ontario**



Ontario Energy Board

Filing Requirements For Electricity Transmission Applications

January 2, 2014

CHAPTER 1 - OVERVIEW

**CHAPTER 2 - FILING REQUIREMENTS FOR ELECTRICITY TRANSMISSION COMPANIES'
COST OF SERVICE RATE APPLICATIONS BASED ON FORWARD TEST
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CHAPTER 3 - INTENTIONALLY LEFT BLANK

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Filing Requirements For Electricity Transmission Applications

Chapter 1 - Overview

January 2, 2014

Chapter 1 Overview

This chapter provides an overview of how Transmission rate applications and Leave to Construct applications should be filed.

Chapter 2 details the filing requirements for a cost of service rate application based on a forward test year that the Board will require from an electricity transmission company.

Chapter 4 details the filing requirements for an electricity Leave to Construct application based on the requirements outlined in section 92 of the Ontario Energy Board Act, 1998.

Completeness and Accuracy of an Application

An application to the Board by a regulated company must provide sufficient detail to enable the Board to make a determination as to whether the proposals are reasonable. The onus is on the applicant to substantiate the need for and reasonableness of the costs that are the basis of proposed new rates.

A clearly written application that demonstrates the need for the proposed rates, complete with sufficient justification for those rates, is essential to facilitate an effective regulatory review and a timely decision.

Furthermore, for Leave to Construct applications, the applicant must satisfy the Board that the project is justified on the basis of price, reliability and quality of service and that the applicant has offered or will offer an acceptable form of agreement to any parties whose land rights are directly affected by the proposed facilities.

The filing requirements provide the minimum information that applicants must file for a complete application. However, applicants should provide any additional information that is necessary to justify the approvals being sought in the application.

The Board's examination of an application and subsequent decision are based only on the evidence filed in that case. This ensures that all interested parties to the proceeding have an opportunity to see the entire record, participate meaningfully in the proceeding and understand the reasons for a decision. Consequently, a complete and accurate evidentiary record is essential.

The purpose of the interrogatory process is to test the evidence before the Board, and not to seek information that should have been provided in the original application. The Board will consider an application complete if it meets all of the applicable filing requirements.

Applicants must also be cognizant of the need for accuracy and consistency of the information and data presented in their applications. A quality application has

information and data that is consistent across all exhibits, appendices and models. If an application does not meet all of these requirements or if there are inconsistencies identified in the information or data presented, the Board may return the application unless satisfactory explanations for missing or inconsistent information have been provided.

Certification of Evidence

Applications filed with the Board must be certified by a senior officer of the applicant that the evidence filed is accurate, consistent and complete to the best of his/her knowledge.

Updating an Application

When changes or updates to a filing are necessary, a thorough explanation of the changes must be provided, along with revisions to the affected evidence and related schedules. This process is contemplated in Rule 11.02 of the *Rules of Practice and Procedure*. When these changes or updates are contemplated in later stages of a proceeding, applicants should proceed with the update only if there is a material change to the evidence already before the Board. Rule 11.03 states that any such updates should clearly indicate the date of the revision and the part(s) revised.

Interrogatories

The Board is aware of the number of interrogatories that the regulatory review process can generate. The Board advises applicants to consider the clarity, completeness and accuracy of their evidence in order to reduce the need for interrogatories. The Board also advises parties to carefully consider the relevance and materiality of information before requesting it through interrogatories.

The Board reminds parties not to engage in detailed exploration of items that do not appear to be material. The materiality thresholds documented in Chapter 2 of the Filing Requirements should be taken into consideration by the parties. In making its decision on cost awards, the Board will consider whether or not intervenors made reasonable efforts to ensure that their participation in the hearing was focused on material issues.

Where an applicant is requested by a party to file information that the applicant believes is not relevant to any matter at issue in the proceeding, the applicant may file and serve a response to the interrogatory that sets out the reasons for the applicant's belief that the requested information is not relevant. This process is contemplated in Rule 29 of the *Rules of Practice and Procedure* and applies to all interrogatories. Relevancy includes interrogatories on matters that are beyond the scope of the legislated jurisdiction of the Board.

In order to facilitate an efficient review of interrogatories and responses, the filing of interrogatories and responses must be sorted by issue or exhibit as applicable and, for responses, by party within each issue or exhibit, and within each exhibit by topic. For example, all interrogatory responses on test year capital budgets arising from an application under Chapter 2 must be grouped together by party. In the absence of a

Board-approved Issues List, parties must sort their interrogatories and responses by topic as outlined in the exhibits in this filing requirement document. This process is also contemplated in Rule 29 of the *Rules of Practice and Procedure* and applies to all interrogatories.

Interrogatory Nomenclature

The Board will issue a list of acronyms for each party to the proceeding prior to the commencement of the interrogatory period. For instance, if the School Energy Coalition was an intervenor in a proceeding, it may be assigned the acronym "SEC" while Board staff would be assigned "Staff".

When parties are submitting interrogatories, a continuous numbering system must be used to facilitate subsequent referencing of the interrogatories. An illustration of the continuous numbering system for Board staff interrogatories is as below.

The first staff interrogatory would be numbered **1-Staff-1**. The first reference to number '1' indicates that this is an interrogatory related to Issue 1 on the Board-approved Issues List. The "Staff" reference is the acronym for Board staff. The second reference to number '1' means that it is the first Board staff interrogatory.

The next Board staff interrogatory for this issue would be numbered **1-Staff-2**. If these were the only two Board staff interrogatories for this issue, the next interrogatory would be numbered **2-Staff-3**. While this interrogatory is the first for Issue 2, the numbering system does not revert to '1'. This interrogatory is numbered as the third overall interrogatory due to the continuous numbering approach described above.

For applications without Board-approved Issues Lists, the Filing Requirement exhibit numbers must be used. As an example, the first Board staff interrogatory related to Land Matters in Chapter 4, which is Exhibit F, would be **F-Staff-25** (assuming that under Exhibits A through E there had been 24 Board staff interrogatories).

If there is a supplemental round of discovery through interrogatories, the numbering sequence continues, with each interrogatory number appended with an "s". For example, **H-Staff-37s** would refer to the 37th interrogatory issued by Board staff in the proceeding, in this case pertaining to Exhibit H (System Impact Assessment) of Chapter 4 and in a supplementary round of interrogatories.

Applicants must ensure that the electronic version of their interrogatory responses is bookmarked by issue, exhibit, topic or section, as applicable.

Confidential Information

The Board relies on full and complete disclosure of all relevant material in order to ensure that its decisions are well-informed. The Board's expectation is that applicants will make every effort to file material contained in an application publicly in order to ensure the transparency of the review process. The Board recognizes that applicants

may consider some of that information to be confidential and may wish to request that it be protected. In such cases, the relevant rules in the Board's *Rules of Practice and Procedure* and the procedures set out in the Board's *Practice Direction on Confidential Filings* (the "Practice Direction") are to be followed by all participants in a proceeding before the Board, unless otherwise directed by the Board. Applicants considering the need for confidential filing of material are expected to review and follow the Practice Direction.

The Board and parties to a proceeding are required to devote additional resources to the administration, management and adjudication of confidentiality requests and confidential filings. Parties must ensure that filings for which they intend to request confidential treatment are clearly relevant to any matter at issue in the proceeding, whether the information is being filed as part of an application, as an exhibit or in response to an interrogatory. An illustrative list of the types of information that the Board has previously assessed or maintained as confidential is set out in Appendix B of the Practice Direction.

Parties should also take note of the requirements related to relevance of interrogatories outlined in this chapter, which are also applicable to information which is requested and raises confidentiality concerns. Parties should give particular significance to the relevance of any information requested by interrogatories in relation to confidential filings given the administrative issues associated with the management of those filings.

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Ontario Energy Board

Filing Requirements For Electricity Transmission Applications

Chapter 2 – Cost of Service Rate Applications

Determining Transmission Revenue Requirements and Ontario Uniform Transmission Rates (UTR)

January 2, 2014

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Chapter 2 Filing Requirements for Electricity Transmission Companies' Cost of Service Rate Applications

2.0 Introduction

The filing requirements contained in this Chapter outline all the relevant information necessary for a complete cost of service-based transmission rate application.

Applicants should review Chapter 1 of this document, which provides an overview of the Board's expectations on certain generic matters, such as the completeness and accuracy of an application, the exploration of non-material items, and confidential filings.

The use of the phrase "Board-approved" in these filing requirements typically refers to the set of data used by the Board as the basis for approving the most recent cost based revenue requirements and rates. It does not mean that the Board, in fact, "approved" any of the data, but only that the final approved rates were based on those data.

On October 18, 2012, the Board released its *Report of the Board, Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach* (the "RRFE Report"). While the RRFE Report related specifically to electricity distributors, the Board did state that "[i]n due course, the Board will provide further guidance regarding how the policies in this Report may be applied to transmitters."

The Board will shortly initiate a consultation process to receive input from stakeholders on how best to apply the principles of the RRFE to transmitters. The Board has issued these Filing Requirements for transmitters to use for rate applications until such time as that consultation has concluded. These filing requirements have not been modified to encompass all of the policy goals reflected in the RRFE. However, applicants can incorporate relevant elements into their applications if they feel that this will support the approvals they are seeking from the Board.

2.1 General Requirements

The basic format of an application for a forward test year cost of service filing must include the following nine Exhibits:

Exhibit 1	Administrative Documents
Exhibit 2	Rate Base
Exhibit 3	Operating Revenue
Exhibit 4	Operating Costs
Exhibit 5	Cost of Capital and Capital Structure
Exhibit 6	Deferral and Variance Accounts
Exhibit 7	Cost Allocation to Uniform Transmission Rate Pools
Exhibit 8	Rate Design for Uniform Transmission Rates

These exhibits correspond with the standard elements of a cost of service application, which is intended to establish rates that recover a revenue requirement, based on an estimate of demand for the test year.

Other exhibits may also be included in an application in support of, or to document, other proposals for which the applicant is seeking Board review and approval.

The Board has provided numerous appendices (Excel-based data spreadsheets) for electricity distributors, as part of the Distribution Filing Requirements. These appendices allow a consistent review of application information from the various distributors. Appendices have not been provided as part of these Filing Requirements. However, transmitters may wish to review the appendices to Chapter 2 of the Filing Requirements for Electricity Distributors to further support their evidence by providing appendices that are applicable to their transmission rate applications.

The items outlined below are general requirements that are applicable throughout the application:

- Written direct evidence is to be included before data schedules;
- Average of the opening and closing fiscal year balances must be used for items in rate base;
- Total Capitalization (debt and equity) must equate to Total Rate Base;
- Data for the following years, at a minimum, must be provided:
 - Test Year = Prospective Rate Year;
 - Bridge Year = Current Year;
 - Three Most Recent Historical Years (or number of years necessary to provide actuals back to and including the most recent Board Approved Test Year, but not less than three years); and
 - Most recent Board Approved Test Year.
- Documents are to be provided in bookmarked and text-searchable Adobe PDF format; and
- Tables must also be provided in working Microsoft Excel spreadsheet format where available and practical.

If a transmitter updates its evidence throughout the proceeding, the transmitter must ensure that any models submitted in the original application are updated appropriately.

2.2 Accounting Standards

This section provides information on the following accounting standards relevant to the filing of cost of service applications. The Canadian Accounting Standards Board (AcSB) has currently established a mandatory transition to International Financial Reporting

Standards by January 1, 2015. On this basis, the following accounting standards may be applicable to transmitters for 2015 and beyond:

- International Financial Reporting Standards (IFRS);
- United States Generally Accepted Accounting Principles (USGAAP);
- Accounting Standards for Not-for-Profit Organizations; and
- Accounting Standards for Private Enterprise (ASPE).

The accounting standard that is used as the basis of the application must be clearly stated. Regardless of the accounting standard used in the application, the applicant must provide a summary of changes to its accounting policies made since the applicant's last cost of service filing (e.g. capitalization of overhead, capitalization of interest, depreciation, etc.). Revenue requirement impacts of any changes in accounting policies must be separately quantified.

2.2.1 Modified IFRS Application

Transmitters should refer to the following documents for guidance relating to the use of IFRS in application filings:

- Report of the Board: Transition to IFRS; dated July 28, 2009;
- Addendum to Report of the Board: Implementing IFRS in an Incentive Rate Mechanism Environment (the "Addendum"), dated June 13, 2011; and
- Asset Depreciation Study for the Ontario Energy Board, Kinectrics Inc. for distributors sponsored by the Board dated July 8, 2010.

For those applicants that have adopted IFRS for financial reporting purposes or will adopt IFRS for financial reporting purposes effective January 1, 2015 or earlier, cost of service applications must be filed on the basis of modified IFRS ("MIFRS").

2.2.2 Application under Accounting Standards for Not-for-Profit Organizations

For those transmitters that adopted Accounting Standards for Not-for-Profit Organizations for purposes of financial reporting, cost of service applications must be filed on the basis of this accounting standard.

2.2.3 USGAAP or ASPE Application

The Board requires a utility that adopts USGAAP or ASPE, in its first cost of service application following the adoption of the new accounting standard, to provide the following:

- evidence of the eligibility of the utility under the governing securities legislation to report financial information using that standard (if applicable);

- a copy of the authorization to use the standard from the corresponding Canadian securities regulator (if applicable); and
- evidence demonstrating the benefits and potential disadvantages to the utility and its ratepayers of using the alternate accounting standard for rate regulation.

2.3 Exhibit 1. Administrative Documents

The items identified in this Exhibit provide the background and summary to the application as filed and are grouped into five sections:

- 1) Executive Summary;
- 2) Customer Engagement;
- 3) Financial Information;
- 4) Materiality Thresholds; and
- 5) Administration.

2.3.1 Executive Summary

This section is the opportunity for the applicant to provide an overview of key elements of its application and its overall business strategy. At a minimum, this section requires a brief summary of the following items in the application, if applicable.

A. Revenue Requirement

- Service Revenue Requirement requested for the test year;
- Increase/decrease (\$ and %) from previously approved service revenue requirement; and
- Schedule of main drivers of revenue requirement changes from the last Board approved year.

B. Budgeting Assumptions

- Economic Overview (such as growth and inflation).

C. Load Forecast Summary

- Load growth (percentage change kWh and kW from last Board approved); and
- Brief description of forecasting method(s) used.

D. Rate Base and Capital Plan

- Summary of the major drivers and elements of the transmitter's capital plan;

- Rate Base Requested for the test year;
- Change in Rate Base from last Board approved (\$ and %);
- Capital Expenditures requested for the test year;
- Change in Capital Expenditures from last Board approved (\$ and %);

E. Operations, Maintenance and Administration Expense

- OM&A for the test year and the change from last Board approved (\$ and %);
- Summary of overall drivers and cost trends;
- Inflation rates used for OM&A forecasts; and
- Total compensation for the test year and the change from last Board approved (\$ and %).

F. Cost of Capital

- A statement as to whether or not the Applicant is using the Board's cost of capital parameters; and
- Summary of any deviations from the Board's cost of capital methodology.

G. Cost Allocation and Rate Design

- Summary of how costs are allocated to each of the three transmission rate pools.

H. Deferral and Variance Accounts

- Accounts requested for Disposition;
- Total Disposition and disposition period; and
- New Deferral and Variance Accounts requested.

I. Bill Impacts

- Summary of total Bill Impacts (\$ and %) at the wholesale level (ie, change in the three UT rates) and for typical customers (Residential at 800 kWh and General Service <50 kWh at 2000 kWh), at the retail level.

2.3.2 Customer Engagement

The RRFE contemplates an active role by distributors in customer engagement. At this time, these filing requirements do not compel transmitters to report on customer engagement activities. However, a transmitter is free to report on customer engagement activities in support of its application. If a transmitter chooses to do so, the

applicant's report should describe activities to engage all customers connected to the transmission system, including distributors, and current or potential directly connected consumers and generators.

Transmitters may specifically discuss how their customers were engaged in order to determine their needs. This could include references to any communications sent to customers about the application and the feedback from customers through these engagement activities. Information on planned future customer engagement activities could also be detailed in this section.

Transmitters may also file the planning elements of customer engagement activities that support the transmitter's capital plan.

Transmitters are expected to file with the Board their response to the matters raised in any comment letters sent to the Board related to the transmitter's application.

2.3.3 Financial Information

This section must include the following:

- Non-consolidated audited financial statements of the utility (i.e. to exclude operations of affiliated companies that are not rate regulated) for which the application has been made, for the most recent three historical years (i.e. two years' statements must be filed, covering three years of historical actuals). Where the regulated entity conducts more than one activity regulated by the Board, the transmitter shall disclose separately information about each operating segment in accordance with the Segment Disclosure provisions corporate entities are encouraged to adopt by the Canadian Institute of Chartered Accountants Handbook. If the most recent final historical audited financial statements are not available at the time of filing the application, the draft financial statements must be filed and the final audited financial statements must be provided as soon as they are available;
- Detailed reconciliation of the financial results shown in the Annual Reports/ Audited Financial Statements with the regulatory financial results filed in the application including a reconciliation of the fixed assets for example, in order to separate non-utility businesses. This must include the identification of any deviations that are being proposed between the Annual Reports/Audited Financial Statements and the regulatory financial statements including the identification of any prior Board approvals for such deviations that may exist;
- Annual Report and Management's discussion and analysis for the most recent year of the parent company, if applicable;
- Rating Agency Report(s), if available; and
- Prospectuses, information circulars, etc. for recent and planned public debt or equity offerings.

2.3.4 Materiality Thresholds

The applicant must provide justification for changes from year to year to its rate base, capital expenditures, OM&A and other items above a materiality threshold. The materiality thresholds differ for each applicant, depending on the magnitude of the revenue requirement.

Unless a different threshold applies to a specific section of these Filing Requirements, the default materiality thresholds are as follows:

- \$50,000 for a transmitter with a transmission revenue requirement less than or equal to \$10 million;
- 0.5% of transmission revenue requirement for a transmitter with a transmission revenue requirement greater than \$10 million and less than or equal to \$200 million; and
- \$3 million for a transmitter with a transmission revenue requirement of more than \$200 million.

An applicant may provide additional details beyond the threshold if it determines that this is necessary to provide the Board with additional information that would assist in its review.

Applicants are reminded that the onus is on the applicant to make its case and ensure that the Board has the information it needs to properly assess and deliberate on the application.

2.3.5 Administration

This section must include the following:

- Table of Contents;
- Statement as to who will be affected by the application, and which publication(s) the applicant proposes that notice must appear, whether it is a paid publication or not and the readership and circulation numbers, and the rationale for why the stated publication(s) are appropriate;
- Confirmation of the applicant's internet address for purposes of viewing the application and related documents;
- Contact information. The primary contact for the application may be a person within the applicant's organization other than the primary licence contact (the primary contact's name, address, phone number, fax and email address must all be provided). The Board will communicate with this person during the course of the application. After completion of the application, the Board will revert communication to the primary licence contact;

- Identification of any legal or other representation for the application;
- The requested effective date;
- Bill impacts to be used for the Notice of Application for a typical Ontario residential customer using 800 kWh per month and for an Ontario General Service <50kW customer using 2000 kWh per month, or as applicable;
- Statement as to the form of hearing requested (i.e. written or oral) and an explanation as to the reasons for the applicant's preference;
- List of specific approvals requested and relevant section of legislation. All approvals, including accounting orders (deferral or variance accounts) which the applicant is seeking, must be separately identified in this exhibit and clearly documented in the appropriate section of the application;
- Changes in tax status (e.g. a change from a corporation to a limited partnership) must be disclosed;
- Existing Accounting Orders;
- Description of applicant's service area:
 - General description and map showing where the utility operates within the province, and the communities serviced by the utility. A utility may provide more detailed geographic and/or engineering maps where these may be useful to understand parts of the application, such as a capital expansion or replacement program;
- Corporate and utility organizational structure, showing the main units and executive and senior management positions within the utility. Include any planned changes in corporate or operational structure (including any changes in legal organization and control) and rationale for organizational change and the estimated cost impact, including the following:
 - Corporate Entities Relationship Chart, showing the extent to which the parent company is represented on the utility company board; and
 - the reporting relationships between utility management and parent company officials.
- The Accounting Standard used and when it was adopted;
- A statement identifying all deviations from the Filing Requirements, if any;
- A statement identifying any changes to the methodologies used in previous applications and a description of the changes;
- If an applicant is conducting non-utility businesses, it must confirm that the accounting treatment it has used has segregated all of these activities from its rate-regulated activities;
- Identification of Ontario Energy Board Directives from any previous Board Decisions and/or Orders. The applicant must clearly indicate how these are

being addressed in the current application (e.g. filing of a study as directed in a previous decision);

- All responses to matters raised in letters of comment filed with the Board during the course of the proceeding.

2.4 Exhibit 2. Rate Base

This Exhibit includes information on:

- 1) Rate Base;
- 2) Capital Expenditures; and
- 3) Service Quality and Reliability Performance.

2.4.1 Rate Base

This section must include the following:

- 1) Overview;
- 2) Gross Assets – Property, Plant and Equipment and Accumulated Depreciation; and
- 3) Allowance for Working Capital.

2.4.1.1 Overview

For rate base, the applicant must include the opening and closing balances, and the average of the opening and closing balances for gross assets and accumulated depreciation. Alternatively, if an applicant uses a similar method such as calculating the average in service based on the average of monthly values, it must document the methodology used. Rate base shall also include an allowance for working capital.

At a minimum, the filed material in support of the requested rate base must include data for the Historical Actuals, Bridge Year (actuals to date and balance of year as budgeted), and Test Year.

Continuity statements and year-over-year variance analyses must be provided. Continuity statements must provide year-end balances and include interest during construction, and all overheads. Variance analyses must provide a written explanation for rate base-related material when there is a variance greater than the applicable materiality threshold.

If continuity statements have been re-stated for the purposes of the application, the utility must provide a thorough explanation for the restatement and also provide reconciliation to the original statements.

The following comparisons must be provided:

- Historical Board-approved vs. Historical Actual (for most recent historic Board-approved year);
- Historical Actual vs. preceding Historical Actual (for the relevant number of years);
- Historical Actual vs. Bridge; and
- Bridge vs. Test Year.

The opening and closing balances of gross assets and accumulated depreciation that are used to calculate the fixed asset component of rate base must correspond to the respective balances in the fixed asset continuity statements. In the event that the balances do not correspond, the applicant must provide an explanation and reconciliation.

This reconciliation must be between the December 31, 2014 and December 31, 2015 net book value balances reported on a Fixed Asset Continuity Schedule and the balances included in the rate base calculation. Examples of adjustments that would be made to the fixed asset continuity schedule balances for rate base calculation purposes are the removal of the amounts for Work in Progress and Asset Retirement Obligations.

The information outlined in the Fixed Asset Continuity Schedule must be provided for each year, in both the application material and in working Microsoft Excel format.

2.4.1.2 Gross Assets – Property, Plant and Equipment and Accumulated Depreciation

The applicant must provide the following information:

- Breakdown by function (transmission plant, general plant, other plant) for required statements and analyses;
- Detailed breakdown by major plant account for each functionalized plant item. For the test year, each plant item must be accompanied by a description;
- Detailed breakdown of the in-service capital additions for the test year.
- Continuity statements must be reconcilable to the calculated depreciation expenses (under Exhibit 4 – Operating Costs) and presented by asset account.

2.4.1.3 Allowance for Working Capital

If a transmitter is proposing to include an allowance for working capital in its rate base, it must support this with a lead/lag analysis. A lead/lag study analysis for two time periods is required; namely:

- The time between the date customers receive service and the date that the customers' payments are available to the transmitter (the lag); and
- The time between the date when the transmitter receives goods and services from its suppliers and vendors and the date that it pays for them (the lead).

Leads and lags are measured in days and are generally dollar-weighted. The dollar-weighted net lag (i.e. lag minus lead) days is then divided by 365 (366 in a leap year) and then multiplied by the annual test year cash expenses to determine the amount of working capital required for operations. This amount is included in the applicant's rate base determination.

For transmitters in Ontario, the lead/lag study should reflect the fact that the IESO provides the bulk of the revenue to the transmitter, with minimal contributions from other sources.

2.4.2 Capital Expenditures

Included within this exhibit are the following sections, which will include the transmitter's plans for its transmission system:

- 1) Planning;
- 2) Required Information;
- 3) Capitalization Policy;
- 4) Capitalization of Overhead; and
- 5) Service Quality and Reliability Performance.

2.4.2.1 Planning

Transmission Planning

A transmitter filing a cost of service rate application for 2015 or subsequent rate years must include, in its application, a summary of its investment planning process. The summary should include the overall strategy for investments, the strategic plan that has been approved for the utility, highlights of recent investments and their fit with the strategic plan, the longer term economic and planning assumptions, a description of how investments are prioritized and selected, discussion of transmission investments identified in a regional planning process, and description of how the needs of customers are being reflected and the linkages between certain capital projects and ongoing OM&A spending.

The transmitter must also file a detailed Asset Management Plan for its transmission assets. The plan should include the utility's Asset Management Policy, Strategy and Objectives; an inventory and assessment of all capital assets; and, how this inventory informs the transmitter's plan for capital expenditures and plan for maintenance

expenditures. All should result in an integrated capital investment, asset maintenance and asset retirement plan that will drive the development of investment and maintenance for the test year and beyond.

Regional considerations

Planning transmission infrastructure in a regional context helps promote the cost effective development of electricity infrastructure in Ontario. Accordingly, these filing requirements provide that, where applicable, a transmitter shall file information on the Regional Planning Process(s) in which it is a participant and information demonstrating that regional considerations have been appropriately considered and addressed in the development of the transmitter's plans.

For all applicable regions, the applicant shall therefore submit lead transmitter documentation in support of the application as contemplated in the Transmission System Code and the Distribution System Code:

- 1) Where a regional infrastructure planning process has been completed, the applicant shall submit a copy of the final Regional Infrastructure Plan that describes the investments in transmission and/or distribution facilities set out in the Plan. The applicant shall specifically identify any such investment(s), for which the applicant will be seeking approval.
- 2) Where regional planning is underway, but a Regional Infrastructure Plan has not yet been completed for the applicable region, the applicant shall submit a letter from the OPA, identifying the status of the regional planning process, and the potential impacts on the applicant's investment plans; and
- 3) Where the applicant's participation in a regional planning process is not required at this time, the applicant shall submit a needs assessment report documenting that regional planning is not required.

A transmitter may have an infrastructure investment(s) that span(s) more than one region. The applicant should identify where that occurs and the relationship between the applicable regional planning processes in the application including where the investment involves another lead transmitter.

Coordinated planning with third parties

For each Region, to demonstrate that a transmitter has met the Board's expectations in relation to coordinating infrastructure planning with customers, the lead transmitter, other distributors and/or the OPA or other third parties where appropriate, a transmitter must provide a description of the consultation(s), including:

- the purpose of the consultation (e.g. Regional Planning Process);
- whether the transmitter initiated the consultation or was invited to participate in it;
- the other participants in the consultation process (e.g. customers; distributors; other transmitters; OPA; municipalities);
- the nature and prospective timing of the final deliverables (if any) that are expected to result from or otherwise be informed by the consultation(s) (e.g. Regional Infrastructure Plan; Integrated Regional Resource Plan); and
- an indication of whether the consultation(s) have or are expected to affect the transmitter's plans as filed and if so, a brief explanation as to how.

Where a final deliverable of the Regional Planning Process is expected but not available at the time of filing, the transmitter must provide information indicating:

- the role of the transmitter in the consultation;
- the status of the consultation process; and
- where applicable, the expected date(s) on which final deliverables are expected to be issued.

2.4.2.2 *Required Information*

The transmission applicant must provide an overall summary of capital expenditures over the past five historical years, which would include the bridge year, and five future years including the test year(s), showing capital expenditures, treatment of contributed capital and additions and deductions from Construction Work in Progress ("CWIP").

The following capital expenditure information should be provided by the applicant on a project specific basis:

- For projects over the applicable materiality threshold: need, scope, and purpose of project, related customer attachments, load and capital costs, as well as any applicable cost-benefit analysis;
- Detailed breakdown of starting dates and in-service dates for each project;
- Drivers of capital expenditure increases for the Test year;
- Where a proposed project requires Leave to Construct approval under Section 92 of the OEB Act, with construction commencing in the test year, the applicant must provide a summary of the evidence for that project.
- The applicant should group projects appropriately.

The following information about other capital expenditures should also be provided:

- Components of all other capital expenditures (those not already addressed above), including a reconciliation of all capital components to the transmitter's total capital budget;
- Written explanation of variances, including that of actuals versus the Board-approved amounts for the applicant's last Board-approved cost of service application; and
- For capital projects that have a project life-cycle greater than one year, the proposed accounting treatment, including the treatment of the cost of funds.

2.4.2.3 Capitalization Policy

The transmitter must provide its capitalization policy, including changes to that policy since the last rebasing application filed with the Board.

If the transmitter has changed its capitalization policy since the last rebasing application, regardless of whether the applicant has filed the application under accounting standards for not-for-profit organizations, MIFRS, USGAAP, or ASPE, the transmitter must explain the reason for these changes and whether they are a result of adhering to an accounting requirement. The changes must be identified, (e.g. capitalization of indirect costs, etc.) and the causes of the changes must also be identified.

2.4.2.4 Capitalization of Overhead

Regardless of whether the applicant has filed the application under MIFRS, USGAAP, ASPE, or CGAAP, the applicant must provide information, depending on the accounting basis on which the application has been filed, regarding overhead costs on self-constructed assets.

Burden Rates

The transmitter must identify the burden rates related to the capitalization of costs of self-constructed assets. Furthermore, if the burden rates were changed since the last rebasing application, the applicant must identify the burden rates prior to and after the change.

2.4.2.5 Service Quality and Reliability Performance

The transmitter must document its service quality and reliability performance that addresses the areas of:

- Customer Service Performance, with a report of customer satisfaction surveys undertaken and results of these surveys.

- Reliability Performance, with the report of reliability as determined with measures developed by the Canadian Electrical Association (CEA) including, Transmission Frequency of Delivery Point Interruptions and Transmission Duration of Delivery Point Interruptions, Unsupplied Energy in minutes and Transmission System Unavailability (percentage of system unavailable).

The applicant should compare the results for its system to the results of other systems both nationally and continentally.

The applicant should also report on how it has addressed the Performance Standards for Transmitters as set out in Chapter 4 of the Transmission System Code.

2.5 Exhibit 3. Operating Revenue

This exhibit includes evidence on the applicant's forecast of customers, energy and load, service revenue and other revenue, and variance analyses related to these items.

The applicant must provide its customer, volume and revenue forecast, weather normalization methodology, and other sources of revenue in this exhibit. The applicant must include a detailed description of the methodologies and the assumptions used. Estimates must be presented excluding commodity revenues.

The information presented must include:

- 1) Load and Revenue Forecasts;
- 2) Accuracy of Load Forecast and Variance Analyses; and
- 3) Other Revenue.

2.5.1 Load and Revenue Forecasts

The transmission load forecast is used to support the charge determinant load forecast for the three transmission rate pools: Network, Line Connection and Transformation Connection. The applicant must provide an explanation of the causes, assumptions and adjustments for the volume forecast. All economic assumptions and data sources used in the preparation of the load and customer count forecast, including the impact of conservation, must be included in this section, including when the forecast was prepared.

The applicant must also provide an explanation of the weather normalization methodology used. All economic models, econometric models, end-use models customer forecast surveys and load shape analyses must also be described and documented.

The applicant must provide a detailed CDM forecast, with impact of CDM shown on the load forecast for each of the three rate pools. The applicant must also indicate how the forecast reflects OPA CDM forecasts and targets in the load forecast.

The applicant's load forecast must also take into account the impact of forecast embedded generation on the transmission system load. The applicant must explain its assumptions and methodology.

2.5.2 Accuracy of Load Forecast and Variance Analyses

The applicant must demonstrate the historical accuracy of the load forecast for at least the past 5 years by providing the following, as applicable:

- Schedule of volumes (in kWh and in kW for those rate pools that use this charge determinant), revenues, customer/connections count by rate pool and total system load in kWh) for:
 - Historical Actual for the past 5 years;
 - Historical Board Approved;
 - Historical Actual for the past 5 years – weather normalized, if applicable;
 - Bridge Year;
 - Bridge Year – weather normalized; and
 - Test Year(s).

The applicant must provide the following variance analyses and relevant discussion for volumes, revenues, customer/connections count and total system load:

- Historical Board-approved vs. Historical Actual;
- Historical Board-approved vs. Historical Actual – weather normalized;
- Historical Actual – weather-normalized vs. preceding year's Historical Actual – weather-normalized (for the necessary number of years);
- Historical Actual – weather normalized vs. Bridge Year – weather-normalized; and
- Bridge Year – weather-normalized vs. Test Year(s).

All data used to determine the forecasts must be presented and filed in live MS Excel spreadsheet format.

2.5.3 Other Revenue

The applicant must provide the following information:

- Comparison of actual revenues for historical years to forecast revenue for Bridge and Test Year(s), including explanations for significant variances in year-over-year comparisons;
- How costing and pricing for Other Revenues is determined, any new proposed service charges, and/or changes to rates or new rules for applying existing charges; and

- Any revenue from affiliate transactions, shared services or corporate cost allocations as described in section 2.3.5. For each affiliate transaction, identification of the service, the nature of the service provided to affiliated entities, accounts used to record the revenue and the associated costs to provide the service.

Revenues or costs (including interest) associated with deferral and variance accounts must not be included in Other Revenue.

2.6 Exhibit 4. Operating Costs

Exhibit 4 includes information that summarizes the Operating, Maintenance and Administrative ("OM&A") Costs, Depreciation Expense and Taxes.

OM&A costs should be presented in an output/program-focused basis.

This exhibit must include the following sections:

- 1) Overview;
- 2) Summary and Cost Driver Tables;
- 3) Program Delivery Costs with Variance Analysis;
- 4) Depreciation/Amortization/Depletion;
- 5) Taxes, if applicable.

2.6.1 Overview

The overview should provide a brief explanation (quantitative and qualitative) of the following:

- OM&A Test Year Levels;
- Associated cost drivers and significant changes that have occurred relative to historical and Bridge years;
- Overall trends in costs;
- Inflation Rate assumed: Each year the Board will determine an inflation factor that applies to electricity distributors for Incentive Rate Setting (IRM) applications. If the transmitter has used an inflation factor different than this in forecasting its costs, it should provide a full explanation as to why the proposed inflation factor is more appropriate;
- Business environment changes; and
- Any cost benchmarking studies or utility cost comparisons conducted by the applicant.

2.6.2 Summary and Cost Driver Tables

The applicant must include the following tables as part of its evidence:

- Summary of Recoverable OM&A Expenses; and
- OM&A Cost Drivers.

Regardless of whether the applicant has filed the application under MIFRS, USGAAP, Accounting Standards for Not-for-Profit Organizations, or ASPE, the applicant must identify the overall level of increase (*or decrease*) in OM&A expense in the test year in relation to a decrease (*or increase*) in capitalized overhead. The applicant must provide a variance analysis for the change in OM&A expense for the test year in respect to each of the bridge year and historical years.

2.6.3 Program Delivery Costs with Variance Analysis

The applicant should provide details of costs in the following categories.

1. Employee Compensation
2. Shared Services and Corporate Cost Allocation
3. Purchase of Non Affiliate Services
4. One-time Costs
5. Regulatory Costs
6. Charitable and Political Donations

2.6.4 Employee Compensation Breakdown

The applicant must provide details of employee complement, compensation, and benefits for both management and union/non-union. Information on labour and compensation must include the total amount, whether expensed or capitalized.

Applicants must provide a description of their compensation strategy, and clearly explain the reasons for all material changes to head count and compensation and the outcomes expected from these changes. A complete explanation includes:

- Year over year variances, inflation rates used for forecasts, plan for any new employees and relevant details on collective agreements (such as, the date the agreement was signed, the effective date, length of term and any information available to the applicant on other collective agreements entered into in the same time period);
- Basis for performance pay, goals, measures, and review processes for any pay-for-performance plans; and
- Any relevant studies conducted by or for the applicant (e.g., compensation benchmarking).

Applicants who are virtual utilities (i.e. utilities that have outsourced the majority of functions, including employees to affiliates) must also provide these details in relation to the employees who are doing the work of the regulated utility. The status of pension funding and all assumptions used in the analysis must be provided.

Where there are three or fewer employees in any category, the applicant must aggregate this category with the category to which it is most closely related. This higher level of aggregation must be continued, if required, to ensure that no category contains three or fewer employees.

The applicant must provide details of employee benefit programs, including pensions and other costs charged to OM&A for the last Board-approved rebasing application, Historical, Bridge and Test Years. The most recent actuary report(s) must be included in the pre-filed evidence. What is disclosed in the tax section of the pre-filed evidence must agree with this analysis.

2.6.5 Shared Services and Corporate Cost Allocation

Shared Services is defined as the concentration of a company's resources performing activities (typically spread across the organization) in order to service affiliates (and/or a parent company) with the intention of achieving lower costs and higher service levels.

The applicant must identify all shared services among the affiliated entities, including the extent to which the applicant is a "virtual" utility.

Corporate Cost Allocation is an allocation of costs for corporate and miscellaneous shared services from the parent company to the utility (and vice versa). This is not to be confused with the allocation of the revenue requirement to rate classes for the purposes of rate design.

The applicant must provide the allocation methodology, a list of costs and allocators, and any 3rd party review of the corporate cost allocation methodology used.

The applicant must provide details about each service provided or received for the Historical (actuals), Bridge and Test years. Applicants must provide a reconciliation of the revenue arising from these transactions with the amounts included in Other Revenue in section 2.5.3.

Variance analyses, with explanations, are required for the following:

- Test Year vs. Last Board-approved; and
- Test Year vs. Most Current Actuals.

The applicant must identify any Board of Director-related costs for affiliates that are included in its costs.

2.6.6 Purchase of Non-Affiliate Services

Utility expenses incurred through the purchase of services from non-affiliated firms must be documented and justified. An applicant must provide a copy of its procurement policy including information on such areas as the level of signing authority, a description of its competitive tendering process and confirmation that its non-affiliate services purchases are in compliance with it.

For any such transactions above the materiality threshold that were procured without a competitive tender, or are not in compliance with the procurement policy, the applicant must provide an explanation as to why this was the case, as well as the following information for Historical (actuals):

- Summary of the nature of the product or service that is the subject of the transaction; and
- A description of the specific methodology used in determining the vendor (including a summary of the tendering process/cost approach, etc.).

2.6.6.1 One-time Costs

The applicant must identify one-time costs in the historical, bridge and test years and provide an explanation as to how the costs included in the test year will not result in an over recovery of costs in future years.

2.6.6.2 Regulatory Costs

The applicant must provide a breakdown of the actual and anticipated regulatory costs, including OEB cost assessments and expenses for the current application such as legal fees, consultant fees, costs awards, etc. The applicant must provide information supporting the level of the costs associated with the preparation and review of the current application.

2.6.6.3 Charitable and Political Donations

The applicant must file the amounts paid in charitable donations (per year) from the last Board-approved rebasing application up to and including the test year. The recovery of charitable donations will generally not be allowed for the purpose of setting rates. If the applicant wishes to recover such contributions, it must provide detailed information for such claims.

The applicant must review the amounts filed to ensure that all other non-recoverable contributions are identified, disclosed and removed from the revenue requirement calculation. The applicant must also confirm that no political contributions have been included for recovery.

2.6.7 Depreciation, Amortization and Depletion

The information outlined below is required for Depreciation, Amortization and Depletion:

- The applicant must provide details for Depreciation, Amortization and Depletion by asset group for the Historical, Bridge and Test Years, including asset amount and rate of depreciation or amortization. This must tie back to the accumulated depreciation balances in the continuity schedule under Rate Base.
- The applicant must identify any Asset Retirement Obligations (“AROs”) and any associated depreciation or accretion expenses in relation to the AROs, including the basis and calculation of how these amounts were derived.
- The Board’s general policy for rate setting is that capital additions would normally attract six months of depreciation expense when they enter service in the test year. This is commonly referred to as the “half-year” rule. The applicant must identify its historical practice and its proposal for the test year. Variances from this “half-year” rule, such as calculating depreciation based on the month that an asset enters service, must be documented with explanation.
- The applicant must provide a copy of its depreciation/amortization policy, if available. If not, the applicant must provide a written description of the depreciation practices followed and used in preparing the application. Regardless of the accounting standard used in the application, the applicant must provide a summary of changes to its depreciation/amortization policy made since the applicant’s last cost of service filing.
- The applicant must ensure that the significant parts or components of each item of PP&E are being depreciated separately. The applicant must explain if it departs from this practice.

2.6.8 Taxes or Payments In Lieu of Taxes (PILs) and Property Taxes

The applicant must provide the information outlined below:

- Detailed calculations of Income Tax or PILs, as applicable, including derivation of adjustments (e.g., Tax credits, CCA adjustments) for the Historical, Bridge and Test Years. Note: Regulatory assets (and regulatory liabilities) must generally be excluded from PILs calculations both when they were created, and when they were collected, regardless of the actual tax treatment accorded those amounts;
- Supporting schedules and calculations identifying reconciling items;
- Copies of most recent Federal and Provincial tax returns (non-utility tax items, if material, must be separated);
- Financial statements included with tax returns, if different from the financial statements filed in support of the application (section 2.4.3);
- A calculation of tax credits (e.g., Apprenticeship Training Tax Credits, education tax credits). A Scientific Research and Experimental Development (“SRED”) return, if filed, may have confidential personal information of the people who are apprenticing like SIN, address, hourly rate, etc. which must be excluded from the filing; and

- Supporting schedules, calculations and explanations for “other additions” and “other deductions” in the applicant’s PILs/Tax model.

Taxes other than Payments In Lieu of Income Taxes (e.g. property taxes) should be clearly identified where included.

2.6.8.1 Non-recoverable and Disallowed Expenses

There may be some expenses incurred by a transmitter that are deductible for general tax purposes, but for which recovery in 2015 transmission rates is partially or fully disallowed.

Where an expense incurred by a transmitter is non-recoverable in the revenue requirement (e.g. certain charitable donations) or disallowed for regulatory purposes, such amounts are generally excluded from the regulatory tax calculation including the updated calculation filed as part of the draft Rate Order.

2.6.8.2 Integrity Checks

The applicant must ensure the following integrity checks have been completed in its application and provide a statement to this effect, or an explanation if this is not the case:

- The depreciation and amortization added back in the application’s PILs/Tax model agree with the numbers disclosed in the rate base section of the application;
- The capital additions and deductions in the UCC/ CCA Schedule 8 agree with the rate base section for historic, bridge and test years;
- Schedule 8 of the most recent federal T2 tax return filed with the application has a closing December 31st historic year UCC that agrees with the opening bridge year UCC at January 1st. If the amounts do not agree, then the applicant must provide a reconciliation with explanations for the reasons;
- The CCA deductions in the application’s PILs/Tax tax model for historic, bridge and test years agree with the numbers in the UCC schedules for the same years filed in the application;
- Loss carry-forwards, if any, from the tax returns (Schedule 4) agree with those disclosed in the application;
- CCA is maximized even if there are tax loss carry-forwards;
- A statement is included in the application as to when the losses, if any, will be fully utilized;
- Accounting OPEB and pension amounts added back on Schedule 1 reconciliation of accounting income to net income for tax purposes, must agree

with the OM&A analysis for compensation. The amounts deducted must be reasonable when compared with the notes in the audited financial statements, Financial Services Commission Ontario reports, and the actuarial valuations; and

The income tax rate used to calculate the tax expense must be consistent with the utility's actual tax facts and evidence filed in the proceeding.

2.7 Exhibit 5. Cost of Capital and Capital Structure

The Board's general guidelines for cost of capital in rate regulation are currently provided in the *Report of the Board on Cost of Capital for Ontario's Regulated Utilities* (the "2009 Report"), issued December 11, 2009.

As per the 2009 Report, the Board issues the cost of capital parameter updates for cost of service applications. Transmitters should use the most recent parameters as a placeholder, subject to an update if new parameters are available prior to the issuance of the Board's decision for a specific transmitter's application.

If the applicant wishes to adopt the Board's guidelines for the cost of capital, the application must clearly state this and confirm that the cost of capital parameters will be updated in accordance with the Board's guidelines at the time of the Board's decision.

Alternatively, the applicant may apply for a utility-specific cost of capital and/or capital structure. If the applicant wishes to take such an approach, it must provide appropriate justification and supporting evidence for its proposal.

2.7.1 Capital Structure

The elements of the deemed capital structure are shown below and must be presented with the appropriate schedules for current Board approved, Historical Actuals, Bridge and Test Years:

- Long-Term Debt;
- Short-Term Debt;
- Preference Shares; and
- Common Equity.

Any explanations of changes in actual capital structure are required including:

- Retirements of debt or preference shares and buy-back of common shares; and
- Short-Term Debt, Long-Term Debt, preference shares and common share offerings.

2.7.2 Cost of Capital (Return on Equity and Cost of Debt)

These requirements are outlined in the 2009 Report. The applicant must provide the following information for each year:

- Calculation of the cost for each capital component;
- Profit or loss on redemption of debt and/or preference shares, if applicable;
- Copies of any current promissory notes or other debt arrangements with affiliates;
- Explanation of the applicable debt rate for each existing debt instrument, including an explanation on how the debt rate was determined and is in compliance with the policies documented in the 2009 Report;
- Forecasts of new debt anticipated in the bridge and test years, including estimates of the applicable rate and any pertinent information on each new debt instrument (e.g. whether the debt is affiliated or with a third party, expected term/maturity, any capital project(s) that the debt funding is for, etc.); and
- If the applicant is proposing any rate that is different from the Board guidelines, a justification of forecast costs by item, including key assumptions.

2.7.3 Not-for-Profit Corporations

In prior decisions, the Board has determined that applicants which are not-for-profit corporations may apply using the Board's deemed capital structure and cost of capital to the extent that the excess revenue is to be used for the purpose of meeting the applicant's need to build up or accumulate appropriate operating and capital reserves. The Board has further stated that, once the appropriate limits for these reserves have been achieved, it would expect such applicants to submit an application seeking a rate adjustment.

2.8 Exhibit 6. Deferral and Variance Accounts

The information outlined below is required regardless of whether or not the applicant is seeking disposition of any or all transmission related deferral and variance accounts:

- List of all outstanding deferral and variance accounts and sub-accounts. The applicant must provide a brief description of any account;
- A continuity schedule in Excel format for the period following the last disposition to the present, showing separate itemization of opening balances, annual adjustments, transactions, interest and closing balances;
- Interest rates applied to calculate the carrying charges for each regulatory deferral and variance account. The applicant must provide the rates by month or by quarter for each year;

- Explanation if the account balances in the continuity schedule differ from the account balances in the trial balance reported through the *Electricity Reporting and Record-keeping Requirements* and the Audited Financial Statements;
- The transmitter must propose an allocator based on the proposed cost driver(s) and include this in the continuity schedule.
- Statement as to any new accounts or sub-accounts that the applicant is requesting, and justification for each requested account or sub-account. This must correspond with information provided in Exhibit 1.
- A statement as to whether or not the applicant has made any adjustments to deferral and variance account balances that were previously approved by the Board on a final basis. If this is the case, the applicant must provide explanations for the nature and amounts of the adjustments and include supporting documentation; under a section titled "Adjustments to Deferral and Variance Accounts."

In the event an applicant seeks an accounting order to establish a new deferral/variance account, the following eligibility criteria must be met:

- Causation - The forecasted expense must be clearly outside of the base upon which rates were derived;
- Materiality – The forecasted amounts must exceed the Board-defined materiality threshold and have a significant influence on the operation of the transmitter otherwise they must be expensed in the normal course and addressed through organizational productivity improvements; and
- Prudence - The nature of the costs and forecasted quantum must be reasonably incurred although the final determination of prudence will be made at the time of disposition. In terms of the quantum, this means that the applicant must provide evidence demonstrating as to why the option selected represents a cost-effective option (not necessarily least initial cost) for ratepayers.

In addition, applicants must include a draft accounting order which must include a description of the mechanics of the account, including providing examples of general ledger entries, and the manner in which the applicant proposes to dispose of the account at the appropriate time.

2.8.1 Disposition of Deferral and Variance Accounts

The applicant must:

- Identify all accounts for which it is seeking disposition;
- Identify any accounts for which the applicant is not proposing disposition and the reasons why;

- Propose the method to be used for recovery or refund of balances that are proposed for disposition;
- Provide a statement that the balances proposed for disposition before forecasted interest are consistent with the last Audited Financial Statements and provide explanations for any variances;
- Provide an explanation for any variances greater than 5% between amounts proposed for disposition before forecasted interest and the amounts reported in the applicant's quarterly and annual RRR filings for each account;
- Provide explanations even if such variances are below the 5% threshold if the variances in question relate to: (1) matters of principle (i.e. prior Board decisions, and prior period adjustments); and/or, (2) the cumulative effect of immaterial differences over several accounts totaling to a material difference between what is proposed for disposition in total before forecasted interest and what is recorded in applicable filings ;
- Show all relevant calculations, including the rationale for the allocation of each account, the proposed billing determinants and the length of the disposition period.

2.9 Exhibit 7. Cost Allocation to Uniform Transmission Rate Pools

The applicant should identify the cost allocation methodology that is proposed to allocate costs to the three transmission rate pools: Network, Line Connection and Transformation Connection.

The applicant must outline the key steps taken to functionalize the assets in the functional categories including the criteria used to define each asset category and, how costs are apportioned to the functional categories and rate pools. Allocation factors for dual function assets must be explained.

The applicant must describe how the Revenue Requirement is allocated to the rate pools including allocation factors applied to each asset or groups of assets. The applicant must show how Depreciation, Return on Capital, Taxes and Operations, Maintenance & Administration costs are assigned to the rate pools.

In some cases, another rate pool may be created (such as the Wholesale Meter Pool, established by Hydro One Networks). Similar information must be provided for any assigning of costs to non-standard rate pools.

2.10 Exhibit 8. Rate Design for Uniform Transmission Rates

The applicant must provide an overview of how the Uniform Transmission Rates (UTR) are established in Ontario and how these rates are determined.

The applicant must outline the load forecast data (from Exhibit 3) that is used to compile the transmission charge determinants for each rate pool.

If applicable, this section should also include the determination of the Export Transmission Service (“ETS”) rates and the treatment of revenues generated through the ETS rates.

The determination of the UTR should be fully explained and documented in this section. This would include a table of the previously approved revenue requirements and load forecast charge determinants for all other transmitters in the pool and the OEB file number of each decision approving each revenue requirement and charge determinant. The table should also include the proposed revenue requirements and charge determinants as proposed in the application.

The table should also show the calculation of the UTR for each pool and the transmission revenue allocator for each of the Ontario Transmitters in the pool.

2.10.1 Tariff of Rates and Charges

The transmitter must provide the current and proposed tariff of rates and charges. The transmitter must also provide a marked-up (track changes) version of the currently approved tariff of rates and charges showing each proposed change. Transmitters must ensure that each proposed change is explained and supported in the appropriate section of the application.

The transmitter must provide an explanation of changes to terms and conditions of service and the rationale behind those changes if the changes affect the application of the rates. Transmitters should take note that only rates shown on the Board-approved Tariff of Rates and Charges can be applied.

2.10.2 Bill Impact Information

Bill impact information must include information on the dollar and percentage impact of the application on the average customer’s total bill as well as the percentage impact on transmission rates.

The bill comparisons must be provided for typical customers and consumption levels. At a minimum, bill impacts must be provided for typical Ontario residential customers consuming 800 kWh per month and typical Ontario General Service customers consuming 2,000 kWh per month and having a monthly demand of less than 50 kW.

-end-

**Ontario Energy
Board**

**Commission de l'énergie
de l'Ontario**



Ontario Energy Board

Filing Requirements For Electricity Transmission Applications

Chapter 4 – Filing Requirements For Leave To Construct Applications

May 17, 2012

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Chapter 4 Minimum Filing requirements for electricity transmission projects under Section 92 of the Ontario Energy Board Act (“the Act”)

4.1 Introduction

The Act requires transmitters and distributors to obtain leave of the Board for the construction, expansion, or reinforcement of electricity transmission and distribution lines or interconnections; however, Ontario Regulation 161/99 has specified that this requirement applies only to transmission lines greater than 2 kilometres in length. A transmission system is defined as a system for conveying electricity at voltages greater than 50 kilovolts (“kV”).

The filing requirements set out in this document are not intended to limit applicants in terms of what information they may want to present. Nor do these filing requirements limit the discretion of the Board in terms of what information and evidence it may wish to see.

In addition to the need to obtain leave to construct, under section 81 of the Act, any generator or an affiliate of a generator planning to construct transmission facilities must give notice to the Board per guidelines available on the Board’s website www.ontarioenergyboard.ca/documents/cases/Maad/guidelines.pdf. The Board upon examining the relevant facts may choose to formally review the application by holding a hearing, and in that event will advise the applicant within 60 days of receiving the application of its intention to formally review that application.

Construction of new transmission facilities may also require an amendment to a transmitter license issued by the Board.

Any person who obtained leave of the Board to construct facilities under section 92 or who is exempt under section 95 may apply to the Board for authority to expropriate land for that purpose.

The Board’s role in assessing applications for leave to construct transmission lines under section 92 is to ensure that the proposed projects are in the “public interest”.
Section 92:

92. (1) No person shall construct, expand or reinforce an electricity transmission line or an electricity distribution line or make an interconnection without first obtaining from the Board an order granting leave to construct, expand or reinforce such line or interconnection. 1998, c. 15, Sched. B, s. 92 (1).

Note, however, that subsection 96(2) specifies that for section 92 purposes in determining whether the construction, expansion or reinforcement of the electricity transmission line or interconnection is in the public interest, the Board shall only consider the following:

- “1. The interests of consumers with respect to prices and the reliability and quality of electricity service.”
2. Where applicable and in a manner consistent with the policies of the Government of Ontario, the promotion of the use of renewable energy sources.”

4.2 The Regulatory Framework

4.2.1 Legislation

Section 92 of the Act requires leave of the Board for the construction, expansion, or reinforcement of an electricity transmission line or an electricity distribution line, as well as for the making of a connection to the power system. Under Ontario Regulation 161/99 however, many projects that would otherwise require approval under s. 92 of the Act are exempt from the need for leave to construct. This includes all distribution projects and most connections and projects involving electricity transmission lines that are 2 kilometres or less in length.

Section 95 of the Act allows an applicant to seek an exemption from the requirements of s. 92 of the Act. An applicant must submit such a request accompanied by the special circumstances that warrant an exemption from the requirement to obtain leave to construct under s. 92 of the Act. A project summary report should be submitted for review, consistent with the requirements described in this document. The level of detail in the submission should reflect the issues or concerns encountered during the evaluation phase of the project.

Section 97 requires that information on land requirements must be included as part of the leave to construct application. Section 97 of the Act states, “leave to construct shall not be granted until the applicant satisfies the Board that it has offered or will offer to each owner of land affected by the approved route or location an agreement in a form approved by the Board.”

4.2.2 Related Regulatory Hearings

Board review of transmission investment can arise in regulatory settings other than a leave to construct application. For example, the Board’s authority to review transmitter’s capital budgets and set rates is established in subsection 78 (1) of the Act which states “No transmitter shall charge for the transmission of electricity except in accordance with

an order of the Board, which is not bound by the terms of any contract.”

Avoiding duplication of regulatory review is therefore critical. The conclusions of the Board specific to a project that are made in one regulatory proceeding will not generally be re-evaluated in another proceeding. However, this must have been a discreet finding of the Board in a previous decision, not simply that information was filed in an application. For example, if the need for a project is clearly established in a leave to construct application, this need would not need to be re-evaluated in a subsequent rate proceeding to determine transmission rates; and to the extent that the project's costs and timing had not changed, the Board's review of these may not need to be comprehensive. However, if the leave to construct is preceded by the transmitter's rate case, the need for the project may not have been dealt with in sufficient detail to satisfy the requirements of a leave to construct proceeding. If the project had received approval in a rate hearing as part of an envelope of expenditures rather than as a discreet approval of the particular project, that panel would likely revisit the valuation of the project in some detail. The intent, however, is not to re-assess that which has already been specifically addressed in a related proceeding.

In addition to a leave to construct approval, most transmission projects will require various other regulatory approvals: for example, an environmental assessment approval. In some cases, these approvals will be obtained after the Board issues a leave to construct approval. It is possible that conditions attached to these approvals may result in material changes to the project that was reviewed by the Board (for example, a routing change or the imposition of additional costs that were not known to the Board). Under such circumstances, an applicant will be required to satisfy the Board that the project is still in the public interest.

4.3 Applicant and Project Types

In all electricity leave to construct applications under section 92(1), the Board considers the interests of consumers with respect to prices and the reliability and quality of electricity service, and, where applicable and in a manner consistent with the policies of the Government of Ontario, the promotion of the use of renewable energy sources.”

The filing requirements differ depending on the type of applicant and project.

Applicants can be rate regulated, such as licensed transmitters that provide transmission services to third parties at Board-approved rates, or non-rate regulated, such as an owner of a large industrial plant or a generation facility that does not provide transmission services to third parties.

Rate-regulated applicants

There is an onus on rate-regulated entities whose revenues are derived from ratepayers to justify before the Board all expenditures on transmission facilities.

A rate-regulated transmitter applying for a leave to construct for a proposed project must provide all the minimum filing requirements with the application, whether or not the project has been included in a capital budget that has been approved in a rate hearing.

Rate-regulated transmitters and distributors applying for transmission connection projects are subject to additional requirements as set out in the Transmission System Code ("TSC") in the application to the Board.

Non Rate-regulated Applicants

Most of the projects proposed by non rate-regulated applicants are designed to connect generation or load sites or plants to the existing IESO controlled grid. The financial risk of constructing new transmission facilities lies with the owners and shareholders of the company, and not with rate payers. As rate payer money is not involved, these applicants generally do not need to justify their expenditures on their own transmission facilities to the Board. However, it should be noted that in certain circumstances these owners and shareholders may be required by the Board to share some or all of the costs associated with the Network Reinforcement, as set out in Section 6.3 of the TSC. In that case the Board will want to ensure that the shared costs are appropriately assigned.

Section 6.3 of the TSC sets out how cost sharing will need to be justified. Transmitters and distributors applying for transmission connection projects must include additional information as set out in the TSC in their applications to the Board, such as the calculation of any capital contribution, and the relevant annual connection rate revenues over the applicable evaluation period if the costs are not recoverable in connection rate revenues.

Distribution Projects

Section 92 also applies for distributors' projects involving transformation connection projects (e.g. a transformer station transforming from above 50 kV to below 50 kV), if the transmission line tap is more than 2 km in length. Facilities with voltages which are above 50kV and with line connections greater than 2km in length and which are or might be "deemed distribution" facilities are also subject to Section 92.

4.4 Filing Requirements for Projects under Section 92

The analysis of public interest implications may vary depending on the Applicant (rate-regulated or non rate-regulated) and type of transmission project being reviewed. The following minimum filing requirements apply to projects in a leave to construct proceeding. The exhibit designation is a suggestion and is not mandatory.

Exhibit A: Index

An index table listing exhibit numbers, tabs and schedules, and each of their contents shall be provided.

Exhibit B: The Application

1. Administrative

This section should include the formal signed application, which must include the following:

- the name of the applicant and partnerships involved in the application;
- the authorized representative of the applicant, phone, e-mail, fax and delivery address;
- an outline of the business of the applicant and parties in the application;
- an explanation of the purpose of the project for which leave to construct is being sought ;
- the financial structuring for the project, as necessary;
- a concise description of the routing and location of the project, including the affected municipalities and regions;
- a description of project components and their locations, activities, and related undertakings;
- the rationale for selecting the proposed project as opposed to any for alternatives considered
- an explanation of how the project is in the public interest, as defined by section 96(2) of the Act; and,
- the project schedule.

2. Project Overview Documents

The evidence in this section provides the background and a summary of the application, and assists the Board in drafting a Notice of Hearing for potential interested parties. This must include:

- a detailed description of location of the project and its components;
- maps (1:50,000 or larger) showing: the route, facility sites and any proposed ancillary facilities;

- the location of project components and related undertakings;
- line drawings of the proposed facility, showing supply connection(s) to the proposed facility and delivery facilities from the proposed facility to any adjacent transmission and/or distribution system(s); and
- the nominal rating of the main components of the project, including the transformers.

3. Need for the Project

In leave to construct applications, the Board's consideration is limited to the interests of consumers with respect to prices and the reliability and quality of electricity service and, where applicable and in a manner consistent with the policies of the Government of Ontario, the promotion of the use of renewable energy sources. This is mandated by section 96(2) of the Act, and the Board does not have the power to consider broader issues. The Board's consideration of the "need" for a project, therefore, can relate only to matters described in section 96(2).

Project justification delineates the responsibilities and necessary evidentiary components required for the project review. The responsibility for the provision of all evidence for the entire case rests with the applicant.

The applicant's evidence in support of the need for the project is required to be submitted and can be supported as necessary by evidence of the Independent Electricity System Operator ("IESO"), the transmitter, and/or the Ontario Power Authority ("OPA"):

Where the Board has already considered aspects of the "price" consideration through a rates proceeding the applicant must still provide with their application:

- a description of the need for the project;
- a detailed reference to those approvals for any projects forming part of an approved plan or rate order; and,
- the reasons given for the inclusion of the project in those proceedings.

Classification of Project Need for Rate-regulated Transmitters:

This section relates to additional information required to be provided by rate-regulated Transmitters. Project Categorization, Classification and Justification assist in determining the need for the project. The categorization and classification are considered in a matrix as shown:

PROJECT NEED			
		PROJECT Categorization	
		Non-discretionary	Discretionary
PROJECT Classification	Development		
	Connection		
	Sustainment		

The classification and categorization is discussed in further detail here.

a) Project Classification

Project Classification is the classification of a project into one of three project classes:

- **Development projects** are those for providing:
 - an adequate supply capacity and/or maintaining an acceptable or prescribed level of customer or system reliability for load growth meeting increased stresses on the system; or
 - enhancing system efficiency such as minimizing congestion on the transmission system and reducing system losses.
- **Connection projects** are those for providing connection of a load or generation customer or group of customers to the transmission system.
- **Sustainment projects** are those for maintaining the performance of the transmission network at its current standard or replacing end-of-life facilities on a “like for like” basis.

It is acknowledged that projects can have elements of development, connection, or sustainment. In these cases, the applicant should identify the proportional make-up of the project, and then classify the project based on the predominant driver.

An investment in the Network may be required in any of these three project classifications. Network facilities are comprised of network stations and the transmission lines connecting them.

b) Project Categorization

The categorization stage identifies the project need as:

- **Non-discretionary** – a “must do” project, the need for which is determined beyond the control of the applicant (“Non-discretionary”), or
- **Discretionary** – the need is determined at the discretion of the applicant (“Discretionary”).

The purpose of project categorization is to distinguish whether the project need is **beyond** the control of the (“Non-discretionary”) or **at the discretion** of the Applicant (“Discretionary”).

Non-discretionary projects may be triggered or determined by such things as:

- mandatory requirement to satisfy obligations specified by regulatory organizations including NPCC/NERC (the designated ERO in the future) or by the IESO;
- a need to connect new load (of a distributor or large user) or new generation (connection);
- a need to address equipment loading or voltage/short circuit stresses when their rated capacities are exceeded;
- projects identified in a Board or provincial government approved plan;
- projects that are required to achieve provincial government objectives that are prescribed in governmental directives or regulations; and
- a need to comply with direction from the Ontario Energy Board in the event it is determined that the transmission system’s reliability is at risk.

Discretionary projects are proposed by the applicant to enhance the transmission system performance, benefiting its users. Projects in this category may include:

- projects to reduce transmission system losses;
- projects to reduce congestion;
- projects to build a new or enhance an existing interconnection to increase generation reserve margin within the IESO-controlled grid, beyond the minimum level required;
- projects to enhance reliability beyond a minimum standard; and
- projects which add flexibility to the operation and maintenance of the transmission system.

4. Evidence in Support of Need

The reasons that a project is necessary must be identified. The basic form for such evidence should be cost-benefit analyses, if applicable, of various options. The Board expects that Applicants will present:

- the preferred option (i.e. the proposed project); and
- alternative options.

It should be recognized, however, that the Board will either approve or not approve the

proposed project (i.e. the preferred option). It will not choose a solution from among the alternative options. The applicant should present the smallest number of alternatives consistent with conveying to the Board the major solution concepts available to meet the same objectives that the preferred option meets.

When providing evidence on the need for the applied-for project, support may arise from a comparison with alternative possible projects. Where a proposed project is best compared to other viable transmission alternatives, the comparison should include “doing nothing”.

Where the applicant lists the benefits of a leave to construct project as avoiding non-transmission alternatives such as a peaking generation facility or a “must run” generation requirement, it is helpful for the applicant to include corroborative evidence from the IESO or the OPA regarding the Applicant’s quantitative evaluation of such a benefit. In any event, this evidence is required to support the need for the project.

The applicant is expected to also compare the alternatives versus the preferred option along various risk factors including, but not limited to:

- financial risk to the applicant;
- inherent technical risks;
- estimation accuracy risks; and
- any other critical risk that may impact the business case supporting the proposed project.

If the proposed project alternatives are expected to have significant qualitative benefits that cannot reasonably be quantified, evidence about these qualitative benefits should be provided. These benefits may be taken into account in ranking the alternatives. Incorporating qualitative criteria may result in a different ranking of projects compared to the ranking based on quantitative benefits and costs alone. For example, a project may be compared on the basis of its degree of disruption to property owners (least, more and most disruptive).

In addition to the evidence regarding the need for the project, the Applicant must address how it proposes to accomplish the project including the identification of relevant options.

For connection projects, in addition to the cost benefit analysis, the applicant must supply specific information on the nature and magnitude of the network impacts. Certain connection projects may require network reinforcement in order to proceed. A description of the additional information requirements in such cases is provided in Appendix 4 -A to this Chapter. Some of these requirements could affect an evaluation of projects and this should be taken into account.

Where an applicant attributes to a proposed project market efficiency benefits such as lower energy market prices, congestion reduction, or transmission loss reduction, the evidence submitted must include quantification of each of the market efficiency benefits listed for that proposed project.

Evidence of Need in Non-discretionary Projects

In the case of a non-discretionary project, the preferred option should establish that it is a better project than the alternatives. The applicant need not include “doing nothing” as an alternative since this alternative would not meet the need. One way for a rate-regulated applicant to demonstrate that a preferred option is the best option is to show that it has the highest net present value as compared to the other viable alternatives. However, this net present value need not be shown to be greater than zero. In contrast, in the case of a discretionary project, “doing nothing” would count as a viable option.

External Need Factors

In some cases, a discretionary or non-discretionary project’s need is driven by factors external to the applicant, such as the need to satisfy an IESO requirement or to serve an incremental customer load. Where the applicant identifies a customer or agency (such as the IESO or the OPA) as the driver behind a project:

- It is the Applicant’s responsibility to include evidence from that customer or agency as part of the evidence in the application.
- The customer or agency must be prepared to provide witnesses as needed to support the filed evidence if an oral hearing is held.
- It is not sufficient for the applicant to state that the customer or agency has established the need for the project; the Board must be able to test that assertion.
- The Board expects the applicant to work with that external party in the development of the required evidence. The external party will often be the IESO and/or the OPA, although the additional evidentiary requirement could apply to any external party on whom the applicant has relied for the justification of the need for the project.

The evidence may include:

- written material prepared by the customer or agency specifically addressing the proposed project, and,
- a list identifying the key driving factors of the evidence justifying the project need, and the party (e.g. the applicant, the IESO, or the OPA) which has prepared the evidence to justify a given key driving factor.

5. Project Shared Costs

Where there are costs which are shared between rate regulated and non rate-regulated parties, proponents must provide details of project costs to the rate-regulated party. Applicants should provide details covering:

- labour - including a breakdown by facility installations;
- materials - including a breakdown of all facility costs;
- cost of similar projects constructed by the applicant or by other entities for baseline cost comparisons covering:
 - in-service year of the comparator project, and
 - similarities and differences in terms of voltage level, type of towers, type of terrain, etc.
- acquisition of land use rights, and land acquisition including permanent and working easements, survey and appraisals, legal fees, crop and damage compensation;
- direct and indirect overheads broken down by facility installation; and,
- allowance for funds used during construction ("AFUDC").

6. Transmission Rate Impact Assessment

The Board requires information relating to the rate impacts anticipated from transmission investments. Information should cover the short-term impacts as well as long-term impacts of the proposed project.

7. Establishment of Deferral Accounts

The Board would consider applications by licensed transmitters requesting that the Board include with its grant for leave to construct, the establishment of a deferral account (under the Uniform System of Accounts) to track the project construction costs and that such accounts would be reviewed for prudence and inclusion in rate base in a future rate proceeding.

Exhibit C: Project Planning

The applicant must provide the Board with time estimates for construction and service dates, including:

- the critical path and time frame for the completion of construction and operational start-up of the proposed facilities;
- any aspects of the start-up of operation relative to the introduction of the new or

- additional market demands on the transmission system;
- the estimated schedule (time of year and duration) for each of the major construction activities and the implications of critical constraints such as:
 - delay in start of construction due to failure to obtain timely approvals;
 - prolonged adverse weather conditions;
 - availability of qualified contractors and/or skilled trades persons;
 - construction windows due to environmental constraints; and,
 - the projected and contractual in-service date for the facilities.

Exhibit D: Project Details:

This section of the application must provide detailed information on the project, focussing on identifying project design features and procedures that will ensure the safe and reliable operation of the proposed facilities. These design specifications should demonstrate compliance with the technical requirements as specified in the TSC.

The route of the line is critical because the Board will only provide leave to construct for a specific route. Any material deviations to the approved route following Board approval will invalidate the leave to construct.

This exhibit should include:

- Descriptions of the physical design, including:
 - a section by section description of the physical form of the line;
 - transmission line details, including conductor type, ratings;
 - transmission structure description including the variety of towers;
 - transmission cable burial information and cross-section; and
 - transformer and switching stations
- Maps indicating:
 - the route of the line and the Lot number and Concession number through or adjacent to which the line runs;
 - the plan of each section of the transmission line in relation to the description and indicating clearances to the land profile or, where buried, in relation to the surface; and
 - the right-of-way dimensions and an indication of where the route crosses privately owned land.

Exhibit E: Design Specifications and Operational Data

Operational details:

The application must provide the following details on the planned operation of the transmission line including:

- the control stations
- monitoring and metering locations

Codes, Standards and Regulations:

The application must provide a description of any applicable codes, standards, and regulations that are applicable to the project. It must also provide engineering details with respect to any special design features, which may influence the construction and in-service schedule and to demonstrate that the proposed transmission facilities will be safe and reliable. Specifically, a table should be provided which indicates:

- a list of any documents, including permits, licences and approvals from other agencies which must be received before the project can be implemented;
- the reason the document is required; and
- the location of the various physical sections and components of the project.

Exhibit F: Land Matters

The application must include accurate documentation that demonstrates compliance with legislative requirements and respects the rights of affected parties, including:

- land easements required
- land rights, and
- the land acquisition process.

A description of the land area required including:

- the width(s) of any right-of-way required on new and/or existing easements;
- the location and ownership of land with existing easements and of any new easements or land use rights that will be required; and
- the need and amount of additional temporary working rights required at designated locations such as crossings of rivers, roads, railways, drains and other facilities.

A description of the land rights required must be provided including:

- the type of land rights proposed to be acquired for the project and related facilities (e.g. permanent easement, fee simple);
- the nature and relative proportions of land ownership along the proposed route (i.e., freehold, Crown or public lands); and,
- where no new land rights are required, a description of the existing land rights that allow for the project.

A description of the land acquisition process including:

- identification of the properties and the property owners and/or tenants affected by the proposed construction (landowners line list);
- the extent of notification to landowners regarding the routing of the new facility, the environmental assessment and the facility application;
- the applicant's plan for acquiring new easements or for amending existing easements; and the progress achieved to date with affected landowners, any concerns, or objections registered by affected landowners and municipalities with respect to the proposed construction, and the resolution of these concerns.

A copy of, or a reference for, each of the following forms must be submitted where applicable and where an up-to-date copy is not already on file with the Board:

- the option for easement form;
- the working rights agreement form;
- the easement agreement form;
- the damage release form; and,
- a copy of any correspondence with affected landowners outlining changes in company policy with respect to land acquisitions.

Exhibit G: Community and Stakeholder Consultation

The Board expects applicants will consider stakeholder consultation for all projects. Applicants are responsible for justifying the extent of consultation carried out for each application. The following information should be provided within the application:

- principles and goals of the consultation program;
- design details of the consultation program; and,

- the results of the consultation carried out, including how public input influenced the design, construction, or operation of the project; or,
- an explanation if no consultation was pursued.

As a result of the limits on the Board's jurisdiction imposed by subsection 96(2), the Board does not itself consider issues relating to the Crown's duty to consult with Aboriginal peoples in section 92 applications⁸. However, applicants should be aware that the proposed project may well give rise to duty to consult issues that will be dealt with in other forums (for example, the environmental assessment).

Exhibit H: System Impact Assessment

The IESO Connection Assessment and Approval process identifies the detailed procedures to be followed by applicants who wish to connect or modify a connection to the IESO-administered grid. The IESO evaluates the design of the project and its impact on integrated power system reliability, and identifies any transmission facility enhancements required. IESO requirements must be fulfilled in addition to those listed here.

Exhibit I: Customer Impact Assessment

The Applicant, including a rate-regulated transmitter if it is the Applicant, is required to include in its evidence a Customer Impact Assessment (CIA) report, as required by the TSC.

The CIA report is to be completed by the rate-regulated transmitter to which the Applicant's transmission facilities are connected. A transmitter shall carry out a CIA for any proposed new or modified connection where:

- the connection is one for which the IESO's connection assessment and approval process requires a system impact assessment; or
- the transmitter determines that the connection may have an impact on existing customers.

A transmitter may decide not to carry out a CIA for any proposed new connection or modification that is not subject to a system impact assessment. In such a case, the transmitter would notify existing customers in the vicinity, advising them of the proposed new connection or modification and of the transmitter's decision not to carry out a CIA on the basis that no customer impact is expected.

⁸ See, for example, the Board's Decision on Questions of Jurisdiction and Procedural Order No. 4 in EB-2009-0120, issued November 18, 2009.

A transmitter would provide each affected customer with a new available fault current level at its delivery point(s). This would allow each customer to take, at its own expense, action to upgrade its facilities as may be required to accommodate the new available fault current level up to the maximum allowable fault levels set out in Appendix 2 of the TSC.

Appendix 4-A

Connection Projects Requiring Network Reinforcement

For review of connection projects the Board requires submission of evidence to cover various aspects including:

- Transmission System Impact and Network Reinforcement;
- Cost Responsibility for Network Reinforcement; and
- Implementation of Required Network Upgrades

Transmission System Impact and Network Reinforcement

The applicant must supply information on the nature and magnitude of any impact of the proposed connection facility on the transmission system. Normally the IESO addresses and provides high level assessment of such impacts in the System Impact Assessment report performed by the IESO as set out in the IESO's Connection Assessment and Approval process.

This information will not on its own be determinative of the decision on leave to construct in these applications as the cost responsibility of line connection investments are addressed fully in the Transmission System Code (TSC) and the applicant is responsible for demonstrating compliance with the TSC.

However, the Board may determine that a transmitter(s) needs to apply for a leave to construct to make the required network upgrades triggered by the proposed connection project. If a leave to construct is necessary, the Board may wish to invite the transmitter(s) to make the needed applications at the same time, or immediately following, the application of the connecting customer.

The nature and magnitude of other network impacts resulting from the proposed investment must be identified e.g. changes in generation dispatch and transmission line losses.

Cost Responsibility for Network Reinforcement

Section 6.3.5 of the TSC states that "A transmitter shall not require any customer to make a capital contribution for the construction of or modifications to the transmitter's network facilities that may be required to accommodate a new or modified connection. If exceptional circumstances exist so as to reasonably require a customer to make a capital contribution for network construction or modifications, the transmitter or any other interested person may apply to the Board for direction."

Transmitters and other interested parties may apply to the Board for direction on the existence of “exceptional circumstances” requiring the connecting customer to make a capital contribution for network investments triggered by their proposed line connection. The onus is on the transmitter and other interested parties to establish to the Board’s satisfaction that “exceptional circumstances” exist.

Implementation of Required Network Upgrades

When the proposed investment project necessitates network upgrades to comply with the TSC and other industry standards and codes, the nature, magnitude and impact of the necessary upgrades must be identified e.g. changes in generation dispatch and transmission line losses).

A key objective of the OEB in these contexts is early identification of the magnitude of any upstream network impacts resulting from a connection investment. This early identification will enable the OEB to determine if relevant rate-regulated transmitters should be invited to pursue leave to construct applications. A related objective is to enable any person to make application to the Board under section 6.3.5 of the TSC for a finding that exceptional circumstances apply, and that the connection proponent should therefore bear some portion of the cost responsibility for the resulting network upgrades that are required.