CHAPTER 6
REGULATORY PROCESS AND FILING REQUIREMENTS

6.1 INTRODUCTION

In order to establish and adjust rates, there are certain regulatory processes, filing requirements, and obligations of utilities that must be followed. This Chapter discusses these components of the regulatory regime in place for electric distribution utilities, and covers:

- The regulatory processes used to establish and adjust rates
- The obligations of the distribution utilities
- Filing requirements

6.2 RATE REGULATION PROCESSES

There are two primary regulatory processes used in the development and administration of rates – those associated with the development of the initial rates, and those associated with the annual adjustment of rates over the term of the PBR plan.

6.2.1 Establishing Base Rates and Plan Parameters

Currently the electricity distributors have Transitional Rate Orders that stay in effect for a period of up to two years or until their next rate order is issued within the two-year period. These distribution rate orders are deemed to be applications for the distributors' next rate orders. The distributors must have Board approved unbundled rates in effect by the introduction of retail access. In addition, the utility must select a productivity factor (X factor) for the term of the 2000-2002 PBR plan.

These subjects are the topic of the base rate and plan parameter regulatory process. While the Government has not announced a start date for retail access, the Board is using October 1, 2000 as the target date for the introduction of unbundled distribution PBR rates. Given this target, the following schedule for the filing of evidence in support of a first generation PBR plan should be followed:

Utility Size	Evidence Filing Deadlline
Number of Customers > 30,000	May 1, 2000
Number of Customers $\leq$ 30,000	August 1, 2000

Thus, the base rate approval process is as follows. The utility must file its evidence on or before the Evidence Filing Deadline. The Evidence Filing Deadline differs by size of utility – for those utilities with more than 30,000 customers, the deadline is May 1, 2000, while the deadline for utilities with 30,000 or fewer customers is August 1, 2000.

Concurrent with the filing, the utility must publish public notices informing the public it has filed its evidence with the OEB. Notice must be given in a manner to be determined by the Board. As an example, the Board will require the notice to inform the public of the filing, the level of rate change that is likely to accrue (due to the market-based return and transition cost adjustments), how members of the public may obtain copies of the evidence, and how, where, and when members of the public must file comments. The Board will also require a minimum notice period (i.e. 45 days).

Given the large number of electric distribution utilities in Ontario, the base rates will be fixed by an expedited process. The Board will review the evidence received from the distribution utility and any comments received from members of the public and will determine whether a written hearing or an oral hearing is required.

Where no written hearing is to be held, the Board will issue an interim rate order based upon evidence filed unless the Board determines that it is not appropriate to issue an interim order. A final rate order will be issued 90 days subsequent to the interim order unless the Board determines otherwise.

Where the Board determines that a written hearing or an oral hearing is to be held, the Board will issue procedural orders setting out the procedure for the hearing. Written and oral hearings will be held in accordance with the Board's <u>Rules of Practice and Procedure</u>. In accordance with those rules, interested parties may seek to intervene for the purpose of obtaining further evidence from the applicant utility, presenting evidence to the Board and submitting argument to the Board. At the time of determining that a hearing should be held, the Board will consider whether an interim rate order should be issued.

6.2.2 The Annual Rate Adjustment Process

On an annual basis, rates will be adjusted according to the PBR rate adjustment process. Utilities must file data in accordance with their obligations under the filing requirements of the rate handbook on or before February 1 of each year subsequent to the year 2000 (Year 2001 and Year 2002). These data filings will include any claims for transition costs or for extraordinary events (such events must be truly extraordinary and substantial) beyond the control of management.

The OEB will use these data, along with other data, to calculate the input price index (industry specific inflation metric) to be used in the formula that adjusts rates from year to year (see Chapter 4).

The OEB will publish its input price index by February 15 of 2001 and 2002. The utility will implement the resulting rate change on March 1. While a utility may choose not to implement an allowed rate increase, it must implement a rate reduction.

Should the utility make claims for transition costs or for costs associated with extraordinary events in its annual data filing, the OEB may defer implementation of these costs from the rate change pending review.

6.3 FILING REQUIREMENTS

6.3.1 Evidence Filing Notice

The distributor is obliged to post public notice of evidence filed with the Board. The Board in the final version of the rate handbook will provide the filing notice requirements and the form of notice. In addition, the Board will specify the notice period (45 days).

6.3.2 First Generation PBR Plan Annual Filing Requirements

Information itemized in this section applies to the first generation PBR plan and is the information for the most recent calendar year. Utilities are obligated to file financial information, energy delivery information, PBR information, and service indicator information on an annual basis. For the first year of the plan, the data must be included in the evidence filed by the deadlines specified in Section 6.2.1. For the second and third year of the PBR plan these data are to be filed by February 1 of each year with revised information based on audited financial statements filed by June 1 of each year.

Financial Information

The financial information to be filed is presented in Table 6-1 and should be filed according to the Board's Accounting Procedures Handbook for Electric Distribution Utilities (further Detail on these filings are included in Appendix B).

Table 6-1
Financial Data

Revenue	Service Revenue Other Revenue
Operating Expenses	Default power supply (includes all power supply prior to open access) Controllable Expenses Depreciation Amortization Financial expenses Extraordinary Items
Source of Funds	Net Income Net Depreciation Borrowing Contributed Capital
Application of Funds	Debt Retirement Capital Expenditure
Working Capital	Change in Working Capital (Start to End of Year) Total Working Capital Working Capital as % of Net Expenses (Net of Depreciation Expenses)
Miscellaneous	Inventory Net Expenses Rate of Return as % of Rate Base Net Change in Revenue Requirement (%) from Previous Year Debt Ratio

Energy Delivery Information

The distributors must provide wholesale and retail kW and kWh data. The information to be filed includes the annual retail kW and kWh sales, applicable rates and resulting customer class revenue. In addition, the distributors should provide the monthly wholesale kW and kWh billing amounts and annual line losses.

The retail sales data to be supplied for the residential and general service non-TOU customers, TOU street lighting customers and large use customers are shown in Tables 6-2 to 6-5.

Similar data must be filed for customers on residential and general service TOU rates, non-TOU street lighting rates, and intermediate use rates.

Table 6-2
Residential Retail Sales Data

Customer Class	kW	Rate	KWh	Rate	Revenue
First 250 kWh Block			Total kWh in Block	Block Rate	Block Revenue
All Additional kWh			Total kWh in Block	Block Rate	Block Revenue
Total Residential Class Revenue					Total Revenue

Table 6-3
General Service Retail Sales Data

	kW	Rate	KWh	Rate	Revenue
First 250 kWh			Total kWh in Block	Block Rate	Block Revenue
Next 12500 kWh			Total kWh in Block	Block Rate	Block Revenue
All Additional kWh			Total kWh in Block	Block Rate	Block Revenue
First 50 kW Block	Total kW sold in Block	No charge			Block Revenue
All Additional kW	Total kW sold in Block	Block Rate			Block Revenue
Transformation Allowance	Total applicable kW	Credit Rate			Total Credit
General Service Class Revenue					Total Revenue

Table 6-4
Street Lighting Retail Sales Data

	KW	Rate	Revenue
Winter kW	Total kW sold	Winter kW Rate	Winter kW Revenue
Summer kW	Total kW sold	Summer kW Rate	Summer kW Revenue
Street Lighting Class Revenue			Total Revenue

Table 6-5
Large Use Retail Sales Data

	kW	Rate	KWh	Rate	Revenue
Winter Peak kWh			Total kWh in Block	Block Rate	Block Revenue
Winter Off-Peak kWh			Total kWh in Block	Block Rate	Block Revenue
Summer Peak kWh			Total kWh in Block	Block Rate	Block Revenue
Summer Off-Peak kWh			Total kWh in Block	Block Rate	Block Revenue
Winter Peak KW	Total kW sold in Block	Block Rate			
Summer Peak kW	Total kW sold in Block	Block Rate			
Large Use Class Revenue					Total Revenue

Wholesale billing data to be filed are presented in Table 6-6. Since utilities take power at different voltages, the appropriate wholesale demand rate(s) should be indicated.

Table 6-6
Wholesale Billing Data

Month	KW		KWh			
	Amount	Rate	Winter Peak	Winter Off-Peak	Summer Peak	Summer Off-Peak
January	Monthly Peak	$/kW	KWh Billed	KWh Billed	KWh Billed	KWh Billed
February	Monthly Peak	$/kW	KWh Billed	KWh Billed	KWh Billed	KWh Billed
March	Monthly Peak	$/kW	KWh Billed	KWh Billed	KWh Billed	KWh Billed
April	Monthly Peak	$/kW	KWh Billed	KWh Billed	KWh Billed	KWh Billed
May	Monthly Peak	$/kW	KWh Billed	KWh Billed	KWh Billed	KWh Billed
June	Monthly Peak	$/kW	KWh Billed	KWh Billed	KWh Billed	KWh Billed
July	Monthly Peak	$/kW	KWh Billed	KWh Billed	KWh Billed	KWh Billed
August	Monthly Peak	$/kW	KWh Billed	KWh Billed	KWh Billed	KWh Billed
September	Monthly Peak	$/kW	KWh Billed	KWh Billed	KWh Billed	KWh Billed
October	Monthly Peak	$/kW	KWh Billed	KWh Billed	KWh Billed	KWh Billed
November	Monthly Peak	$/kW	KWh Billed	KWh Billed	KWh Billed	KWh Billed
December	Monthly Peak	$/kW	KWh Billed	KWh Billed	KWh Billed	KWh Billed

6.4 PBR RELATED INFORMATION

PBR related information was obtained from the distributors through a February 1999 OEB PBR task force request for cost data. The data was used to determine an input price index specific to the electricity distribution industry in Ontario for year one of the three-year first generation PBR plan.

The information was also used to determine the distributors' intrinsic productivity potential based on past performance.

6.4.1 Timing of PBR Data Filing

The Board will need to update the PBR related data early in 2001 in order to set the price index for the second year of the PBR plan. Therefore the information described in this section must be filed by February 1, 2001 for the Year 2 rate adjustment and February 1, 2002 for the Year 3 rate adjustment. A reminder on the filing of this data will be sent out closer to the filing date.

6.4.2 Description of Information

The information to be filed is similar to the information the OEB required for PBR purposes in February 1999 and is presented in Table 6-7.

Table 6-7
PBR Related Information

Cost Category	Item
Labour	1. Headcount (Full Time Equivalent) 2. Compensation Exclusive of Overhead Wages Salaries Fringe Benefits 3. Change in Line Crew Wage Rates 4. Capitalized Labour included in (2)
Capital	1. Gross Fixed Assets 2. Accumulated Depreciation 3. Amortization 4. Capital Additions for Year 5. Retirements for Year
Miscellaneous	1. Cost of Power 2. Line Losses
Functional	1. Operations and Maintenance Total Labour Component 2. Billing and Collection Total Labour Component 3. Administration Total Labour Component
Capital Composition	1. Labour 2. Overhead 3. Equipment/Material 4. Other

6.4.3 Service Quality Information

The first generation PBR plan includes customer service and service reliability performance indicators. The performance indicators along with their definitions and minimum standards (where applicable) are described in Chapter 5. The indicators and the data to be filed are presented in Table 6-8.

Responses to a survey conducted by the OEB PBR Implementation Task Force indicated that not all distributors currently collect data on the performance indicators listed. Those distributors that currently collect data on the performance indicators should file their annual performance for the last five years. Distributors that do not have five years data should provide the information for the years in which the data was collected. Distributors that have not to date collected any data on the performance indicators should start collecting the data when their first generation PBR plan comes into effect.

All utilities will need to report their performance annually by February 1.

Table 6-8
Service Quality Information

Performance Indicator	**Information to be Filed**	
Connection of New Services	Number of Requests	% response within minimum standard
Underground Cable Locates	Number of Requests	% response within minimum standard
Appointments	Number of Requests	% appointments met within minimum standard
System Average Interruption Duration Index	Index	
System Average Interruption Frequency Index	Index	
Customer Average Interruption Duration Index	Index	