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July 18, 2014

VIA E-MAIL AND WEB POSTING

To: Licensed Electricity Distributors
Licensed Electricity Transmitters

Re: Update to Chapters 1 and 2 of the Filing Requirements for Electricity Distribution Rate Applications

Attached is an update of Chapter 1 and Chapter 2 of the Board's *Filing Requirements for Electricity Distribution Rate Applications* (the "Filing Requirements").

As indicated in last year's update, the Filing Requirements reflect an outcomes-based approach to regulation. The Board has maintained the focus on results rather than activities, including the requirement for distributors to include customer engagement activities in their support for capital and OM&A spending.

On June 26, 2014, the Board posted draft appendices and models for use by cost of service applicants to assist in the preparation of their applications. The final cost of service appendices and models are now available on the Board's website. The only revisions made were to the Deferral and Variance Account (Continuity Schedule) Workform.

While the Board may issue electronic filing models or spreadsheets for use in rate applications, the applicant is responsible for ensuring the accuracy and appropriateness of any models and spreadsheets that it uses in supporting its application. The applicant is also responsible for advising the Board of any concerns it has regarding calculations flowing from the models as well as any changes it made to the models to address its own circumstances. All models and spreadsheets can be found on the Board's [2015 EDR webpage](#).

Transmitters should note that, consistent with 2014, this updated edition of the Filing Requirements is only applicable to distributors. Transmitters contemplating filing a 2015 cost of service rate application should use the January 2, 2014 edition of the *Filing Requirements for Electricity Transmission Applications*.

Chapter 1

Chapter 1 of the Filing Requirements contains a brief overview of the contents of each subsequent chapter and provides information on generic application matters that are relevant to all of the chapters of the Filing Requirements, such as the Board's expectations for the completeness and accuracy of applications and the relevance of

interrogatories. The Board has also revised Chapter 1 to acknowledge recent updates to its *Rules of Practice and Procedure* (“Rules”) and *Practice Directions*. Details previously included in Chapter 1 such as the protocol for numbering interrogatories can now be found in the Rules.

Chapter 2

Chapter 2 emphasizes the continued transition to outcomes-based regulation by focusing on good planning and the need to achieve outcomes that result in genuine benefits for customers and that are supported by a distributor’s past and expected performance. To this end, Chapter 2 contains a new requirement related to a Management Discussion and Analysis in which a distributor is required to provide plain language information about its objectives and business plan and how these relate to what is being sought in the application and align with the critical objectives of the RRFE.

The adoption of the International Financial Reporting Standards (“IFRS”) on January 1, 2015 is mandatory for most rate regulated distributors in Ontario. As a result, the 2015 edition of the filing requirements reflects only the transition from CGAAP to IFRS. If a distributor is adopting an alternative standard, it should revise its application and appendices accordingly and may contact Board staff for further assistance.

The Filing Requirements provide information on the interrelationship between the requirements outlined in Chapter 2 and those contained in Chapter 5 (the *Consolidated Distribution System Plan Filing Requirements*), which was issued by the Board on March 28, 2013. There are no further updates to Chapter 5 at this time. The consolidated distribution system plan must be filed as a separate document within the rate base exhibit.

The Board expects that at minimum, parties to cost of service proceedings will consider the entire five-year distribution system plan (“DSP”) as a means of assessing the planning of the distributor and whether or not the test year requests are appropriately aligned with the DSP. While the Board is not setting rates for years two through five of the five-year Price Cap IR cycle, it will be approving single test year applications based on the five-year plan, and the criteria established in the RRFE Report.

An application in which the Board has determined that the planning processes and resultant distribution system plan are inadequate to make a determination of just and reasonable rates may be sent back to the applicant for further work.

On June 20, 2014, the Board initiated a consultation on *New Policy Options for the Funding of Capital Investments* (EB-2014-0129). While the policy consultation is still ongoing, distributors can propose an approach within their applications based on the proposed policy options as applicable, for the Board’s consideration.

On April 3, 2014, the Board released its *Draft Report on Rate Design for Electricity Distributors* (EB-2012-0410) that proposed implementing a fixed monthly charge for distribution service. While the policy consultation is still ongoing, distributors can

propose an approach in their applications based on the proposed policy options for the Board's consideration.

The Board reminds distributors that cost of service applications for 2015 rates to be effective May 1, 2015 are expected to be received no later than August 29, 2014. In the event that a distributor intends on seeking an effective date after May 1, the Board expects that distributors will submit their applications in a timely manner giving due consideration to the Board's standard timelines for reviewing applications.

RTSR Guideline

The RTSR Guideline outlines the information that the Board requires electricity distributors to file to adjust their RTSRs. The Board communicated last year that it will no longer update the Guideline unless significant changes are made to the methodology in calculating the RTSRs. The Uniform Transmission Rates charged by transmitters and the Retail Transmission Service Rates charged by host distributors included in the RTSR worksheets have been updated to the most current rates.

Yours truly,

Original signed by

Kirsten Walli
Board Secretary

Encl.