

Working Group Member Comments on Key Issues Identified During Consultation

Key Issue Grouping	Key Issues	Description of Issue	PAWG Collaborative Comments
Allocation Methodology	Separation Space Should Separation space be treated as common space?	<p>According to the 2005 OEB Methodology, separation space is currently treated as part of the Communication Space and is fully allocated to the Telecoms. CSA C22.3 No.1 relates to the separation space for minimum clearance from the lowest Dx wire to the highest Teleco attachment. ESA Guideline for Third Party Attachments clearly defines the need for separation space for safety of communication workers as required by Ontario Regulation 22/04 – Electrical Distribution Safety. At meeting #4, it was also identified that this space is needed to ensure clearance between power and Teleco wires because of line sag during peak summer months and ice loading in the winter.</p>	<p>The LDCs agree that, per the 2005 OEB Methodology, the Separation space be treated as part of the Communication space and be fully allocated to the telecom attachers. This is required to ensure the safety of the communications workers as required under Ontario Regulation 22/04 – Electrical Distribution Safety, and that minimum standard clearances between telecom and LDC equipment are maintained.</p>

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	<p>Equal Sharing</p> <p>Should the principle of allocating Common space costs equally between Telecoms and LDCs as set out in the OEB 2005 Decision continue going forward?</p>	<p>The Equal Sharing principle is based on the equal needs of both the Telecoms and LDCs requiring ground clearance and buried space. The OEB has historically adopted equal sharing of all the costs related to the Common space. For a standard 40 foot pole, this principle results in an allocation factor of 33.6% (assuming an average of 1.4 telecom attachers) of total indirect costs. An alternate allocation principle used in other jurisdictions is the proportional principle, which does not allocate any costs related to Common space back to the Teleco attachers. This results in an allocation of 22.4% - assuming 1.4 Teleco attachers. This principle assumes that the Teleco attachers do not put any additional burden on the pole in terms of cost or maintenance.</p>	<p>The LDCs agree and support the principle of allocating the Common space equally between telecoms and LDCs, as set out in the OEB 2005 Decision.</p> <p>Telecom attachers also regularly use the common space of the pole to attach their cables to rise/drop off the pole to their underground equipment / customers as noted in the HOL Pole Attachment Field Considerations presentation provided to the OEB during its rate filing (EB-2015-0004 Exh K2.1 – Oct 16, 2015). Another common piece of equipment that the carriers attach in the common space is their power supplies, complete with battery backup</p>

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Costing Inputs	Default Values The cost data collected from the LDCs participating in this consultation and submitted as part of the Hydro One, Toronto Hydro and Hydro Ottawa recent OEB Decisions (Three Decisions) can be used to create default values. As an interim step should these values be used to reset the provincial pole attachment charge that can be used by LDCs?	The cost data collected from the LDCs participating in this consultation and the Three Decisions represents more than 95% of the provincial joint use pole population. This sample size provides a significant advancement in data quality. There was a high degree of similarity between the projections by OEB staff and Nordicity (presented in the 4th PAWG) in the calculation of the pole attachment charge. The OEB/Nordicity estimates provide a logical basis for the calculation of pole attachment rates, at least on an interim basis. Data filings in future LDC rates applications will result in additional data quality and accuracy of pole attachment charges for individual LDCs.	The LDCs agree that the cost data collected from these recent decisions be used to reset the provincial pole attachment charge, given that they are based on pole data representing more than 95% of the provincial joint use pole population. These values are more accurate than the presumptive values used in the past.
	Direct Administrative Costs Should a weighted average of \$2.85/pole be used as the default value? This value is based on the Three Decisions.	Administrative Costs - directly associated with managing and administering Teleco pole attachments, such as permitting, licensing, payroll, vehicle, OM&A support services.	The LDCs agree with a weighted average of \$2.85/pole being used as the default value for the direct administrative costs, as these are informed by the respective LDCs actual costs, based on 95% of the provincial joint use pole population. However, the LDCs wish to acknowledge that the PAWG meetings to date have not allowed for further discussion and clarity to be had on the specific elements that would qualify as direct Administrative costs. The LDCs consider that other cost factors could be added to this direct cost component.

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	<p>Direct Cost Loss In Productivity (LoP)</p> <p>Should a weighted average of \$3.30/pole be used as the default value? This value is based on the Three Decisions.</p>	<p>LoP - costs associated with field verification cost of pole replacement.</p>	<p>The LDCs agree with a weighted average of \$3.30/pole being used as the default value for the direct LoP cost at this time, based on the recent decisions.</p> <p>However, the LDCs wish to acknowledge that the PAWG meetings to date have not allowed for further discussion and clarity to be had on the specific elements that would qualify as direct LoP costs. The LDCs consider that other cost factors could be added to this direct cost component.</p>
	<p>Indirect Costs - Deduction Power Specific Assets (USoA #1830)</p> <p>Should a range of 15% to 18.2% be used as a default value?</p>	<p>In the Hydro One and Toronto Hydro Decisions the deduction for power specific assets was set at 15% of pole costs; In the Hydro Ottawa Decision, the deduction was set at 5% because of the use of brackets instead of cross arms. 15% is consistent with the American Public Power Association (APPA) and FCC decision in 2000 (FCC-00-116) for electric utilities and New Brunswick Power Decisions. The 18.2% value was derived by Nordicity using the PAWG submissions.</p>	<p>The LDCs agree with using 15% for deducting power specific assets from the indirect costs, given that it is consistent with APPA and used in the recent Hydro One decision and Toronto Hydro settlement. The LDCs also wish to note that the 18.2% figure that was derived by Nordicity using the PAWG submissions was skewed by the 30% figure from London Hydro, which was later found to be inconsistent with power versus common fixture definitions from the PAWG meeting on Jan 16, 2017. Using a corrected, revised figure of 15.7%, the averages from the PAWG submissions are then expected to be closer to the 15% figure. The revised calculations have been sent to the OEB from London Hydro.</p>
	<p>Indirect Costs - Net Embedded Cost per Pole (USoA #1830 less Accumulated Depreciation)</p>	<p>The default value of \$1,077.93/pole compares well with the average net book value of 10 LDCs (large, medium, small) based on actual 2015 data of \$1,232. Nordicity has estimated this cost to be \$1,227/pole based on a 10 year average data submitted by PAWG LDCs.</p>	<p>The LDCs agree with using the five-year average of \$1,077.93 as the default value for the indirect cost element of net embedded cost per pole, as it is based on actual net book values for those LDCs that comprise 95% of the provincial joint use pole population. The LDCs also expect that the net embedded costs per pole for the remaining percentage of the provincial joint use pole populations would not result in any statistically significant changes to this figure.</p>

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	<p>Should \$1,077.93/pole be used as the default value? The value is calculated using the 5 year average of the data submitted by PAWG LDCs.</p>		<p>As more end-of-life poles are replaced in the upcoming years, this average cost will increase.</p>
	<p>Indirect Costs - Cost of Neutral (USoA 1835)</p> <p>Should the cost of the neutral wire be added to the capital cost of the pole? If yes, should a default value of \$341/pole, assuming a 28% allocation, be considered? The values are based on PAWG data submissions by Hydro One and Hydro Ottawa.</p>	<p>No precedent in any jurisdiction to add this cost. Not included in OEB 2005 Decision.</p> <p>However, a case can be made for sharing this cost with Telco's based on the following arguments:</p> <ol style="list-style-type: none"> 1) CSA Standards require communication facilities to be bonded to the neutral at a minimum of every 300 meters, 2) ESA Guideline for Third Party Attachments requires no undue hazards, 3) 2016 Kinetrics study indicates Telcom bonding to LDCs neutral within 300 metres can keep induced voltages on communication cables under acceptable limits. Without this bonding there would be considerable safety risk to worker/public safety and equipment damage. <p>Bonding typically occurs every 3rd</p>	<p>The LDCs agree that the cost of the multi-grounded neutral wire should be added to the capital cost of the pole, as the data gathered from Hydro Ottawa on the number of requests it has received from telecom parties of locations to have its damaged grounds repaired (filed with Nordicity on Nov 9, 2016), demonstrates that these telecom parties use the LDC multi-ground system to mitigate safety hazards to its workers and the public. The LDCs further agree with using the default value of \$341/pole for a 28% allocation based on equal sharing.</p> <p>As part of the Kinetrics report on telecom bonding to multi-grounded neutral systems, Telus co-funded this report. This report was to revalidate the CSA 22.3 No.5.1 standard for telecom bonding requirements.</p> <p>This is consistent with Rogers' construction practices.</p>

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		pole. Assuming equal sharing of this cost, 28% was may be appropriate.	
	<p>Indirect Costs - Maintenance of Pole (USoA #5120)</p> <p>Should \$6.80/pole be used as the default value for costs contained in account 5120?</p>	<p>The \$6.80/pole is based on taking a weighted average of the data submitted by the PAWG and is comparable to the costs approved in Hydro One & Hydro Ottawa Decisions of \$4.69/pole and \$11.89/pole respectively. Averaging these results would yield \$8.29/pole.</p>	<p>The LDCs agree with a weighted average of \$6.80/pole being used as the default value for the indirect maintenance costs of the pole, as contained in USoA account 5120, at this time. However, the LDCs recommend that the OEB provide opportunities for a future PAWG to review further details and refinements as required.</p>

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	<p>Indirect Costs - Maintenance of Lines (USoA #5020)</p> <p>Should \$3.68/pole be used as the default value for costs contained in account 5020? This value is based on RRR data for the PAWG LDCs and 50% allocation.</p>	<p>No precedent in any jurisdiction to add this cost. Not included in OEB 2005 Decision. Hydro One was the only PAWG LDC that submitted data for this account and suggested an allocation of 50%. Using the 50% allocation and RRR data for the PAWG LDCs results in a cost of \$3.68/pole.</p>	<p>Hydro One tracks pole inspection costs within USofA account #5020 and other LDCs within the province may track pole inspection costs in USofA #5020, #5120, or possibly a different account. Fifty percent of Hydro One USofA #5020, is a labour component that is used to perform OEB directed pole inspections every 3 years in urban areas and 6 years in rural areas.</p> <p>Since Hydro One owns approximately 95% of all the poles in the province, the other PAWG LDCs support adding \$3.68/pole as an appropriate cost, because it is labour specifically associated to poles.</p> <p>The LDCs may financially track this item in different USofA related overhead accounts, but the LDCs consider that when calculating the new Ontario wireline pole attachment rate, the OEB should recognize the Hydro One labour. Moving forward, the OEB could direct all LDCs to track “pole inspection” costs in a specific account or allow LDCs to inform the OEB of these actual maintenance costs. In a future rebasing year, the LDC can report the labour from the appropriate account and use it to calculate a LDC specific wireline pole attachment rate, using the OEB approved methodology.</p>

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	<p>Indirect Costs - Maintenance of Neutral (USoA #5125)</p> <p>In the case that the cost for the Neutral is included, should \$1.90/pole be added as default value to the maintenance cost?</p>	<p>No precedent in any jurisdiction to add this cost. Not included in OEB 2005 Decision.</p> <p>If one accepts the arguments for including the neutral as a capital cost, then a cost estimate of \$1.90/pole for maintenance of the neutral could be calculated based on RRR data for the PAWG LDCs in account # 5125, and an assumption that the allocation provided by Hydro One of 5% is valid.</p>	<p>As the LDCs agree with including the cost of the multi-grounded neutral wire to the capital cost of the pole, the LDCs also then agree with including the maintenance of the neutral and grounding systems in the indirect costs. Therefore, the LDCs further agree with the \$1.90/pole figure being added as the default value to the maintenance cost at this time, based on an assumption of a 5% allocation of the RRR data for the PAWG LDCs in USoA account 5125.</p>

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	<p>Indirect Costs - Maintenance of Right of Way (USoA #5135)</p> <p>Should Vegetation Management (VM) be included in the pole Attachment Charge? If yes, how should the current agreements between Teleco/LDCs be handled? If yes, should a default value of \$25.60/pole be used based on data submitted by PAWG LDCs and a Hydro One allocation of 33%?</p>	<p>VM was explicitly excluded from the recent OEB decisions & the 2005 methodology did not include VM. The New Brunswick (2015) decision included planned and storm-related vegetation costs about ~\$13/pole. The Nova Scotia (2002) decision accepted inclusion of vegetation management costs, as it was considered an essential part of maintaining the integrity of the LDC's overhead distribution system infrastructure. The NS Board concluded that all pole tenants benefit from tree trimming, along with inspection surveys and audits, emergency repairs and pole tests.</p>	<p>The LDCs are of the view that default VM cost of \$25.60/pole not be included in the general pole attachment rate methodology. The LDCs suggest that VM is levied outside of the pole attachment rate, but the LDCs would encourage the OEB to provide a formula/methodology that is fair and reasonable that LDCs can use to determine, what the appropriate VM charge would be. The LDCs suggest that a future PAWG be established, to review further details and refinements as required on the applicable methodology to ensure that LDCs reasonably recover VM costs, especially in light of the decisions from New Brunswick and Nova Scotia where their respective regulatory bodies accepted the argument that all pole tenants benefit from VM. Having the rate outside the pole attachment rate, offers flexibility for each LDC to negotiate with the carriers, if forestry is to be completed by the LDC or not, and having an OEB approved methodology would allow for a fair and reasonable charge that should not be disputed.</p>

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Rate Methodology	<p>Single Rate entire province versus LDC Specific</p> <p>Should the OEB set a single provincial rate?</p>	<p>The current charge of \$22.35 per pole per year was set in 2005 in RP-2003-0249. A comparison of the 2005 rate with the updated charges for Hydro One: \$41.28/pole/year, Hydro Ottawa: \$53/pole/year and Toronto Hydro: \$42/pole/year demonstrates a significant difference between the 2005 charge and recently updated pole attachment charges. A similar gap for the remaining LDCs still using the \$22.35 per pole charge is expected. One option to begin to address this gap would be to set a single rate for all the LDCs, or the remaining LDCs, in the interim. Correspondingly, these LDCs, along with Hydro One, Hydro Ottawa and Toronto Hydro, could then follow the annual charge adjustment process described below.</p>	<p>The LDCs maintain the view that the OEB provide a revised provincial rate but also allow for LDC specific rates where the pole attachment rate would be informed by a broad, common set of input types that would vary to reflect the operating conditions and demographics of the given LDC.</p>

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	<p data-bbox="428 350 779 431">Annual Charge Adjustment</p> <p data-bbox="428 483 737 727">Should the OEB adopt an adjustment to the Pole Attachment Charge that aligns itself with current processes? E.g. inflation minus X-factor rate adjustment (I-X).</p>	<p data-bbox="804 350 1209 683">During PAWG Meetings No. 3 and No. 4, members agreed the Pole Attachment charge might benefit from a mechanism that would adjust the rate annually for inflationary factors. This approach could enable regular updates to the rate using an existing process and provide predictable rate adjustments.</p> <p data-bbox="804 691 1209 824">At Meeting No. 4, staff presented one such mechanism that mirrors the current LDC Annual Adjustment Mechanism:</p> <ul style="list-style-type: none"> <li data-bbox="804 833 1209 1019">- The inflation factor is based on two weighted price indicators (labour and non-labour) which provide an input price that reflects Ontario's electricity industry. <li data-bbox="804 1027 1209 1117">- The X-factor has two parts: a productivity factor and a stretch factor. <li data-bbox="804 1125 1209 1320">- The OEB has determined that the appropriate value for the productivity factor (industry total factor productivity) for the price Cap IR and Annual IR index is zero. <li data-bbox="804 1328 1209 1580">- For the stretch factor, LDCs are assigned into five groups ranging from 0.0 to 0.6%. Most efficient LDCs would be assigned lowest factor of 0.0%. All annual IR Index applicants would be assigned a stretch factor of 0.6%. <li data-bbox="804 1588 1209 1612">- The LDC pole Attachment charge 	<p data-bbox="1236 350 1908 483">The LDCs support the OEB adopting a mechanism to annually adjust the rate, and the mechanism presented by the OEB staff at PAWG Meeting No. 4 to align with current processes appears to be reasonable.</p>

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	<p>Number of Teleco Attachers "Provincial Average"</p> <p>In the absence of LDC specific data, should a value of 1.4 Teleco attachers per pole be adopted as a default?</p>	<p>The data submitted for the Three Decisions and data collected from the PAWG LDCs indicate on average there are 1.4 telco attachers per joint use pole. The Three Decisions represents more than 95% of the provincial joint use pole population.</p>	<p>The data submitted through the recent decisions, as well as the data from the PAWG LDC members, provides a more accurate figure of 1.4 telecom attachers than previous presumptive values . Considering that this is actual data and based on 95% of the provincial pole population, the margin for inaccuracies would be minimal. Therefore, the LDCs agree that a value of 1.4 telecom attachers is justified and should be used in the rate methodology.</p>
Other	<p>Overlashing Revenues</p> <p>During PAWG Meeting No. 3 & No. 4, members confirmed that overlashers pay the current charge of \$22.35/pole as well. There was no confirmation as to what the overlashers were paying the Teleco to overlash. Should there be a limit to the number of overlashers and/or weight limitation per strand?</p>	<p>As each overlasher is added, incremental stress is put on the pole in terms of weight and additional maintenance. Although an overlasher pays the pole attachment charge, no charge is recovered from a Teleco who overlashes its own strand or from an overlasher who continues to add cables. Teleco could continue to overlash until pole design weight limit is met without providing compensation.</p>	<p>1.4 telecom attachers include overlash attacher values. If telecom attacher overlash values are not included, the number of attachers per pole will decrease.</p> <p>LDCs are obligated to provide access to telecom attachers under certain terms and considerations. Therefore, the design criteria should be used as the determining factor for adding more attachments (including overlashing) to a pole. As required by O.Reg. 22/04, LDCs will continue using design criteria (i.e. sag and stress on the pole) as a basis for permitting attachments to LDC poles to ensure the pole design limits are not exceeded and telecoms can continue to overlash to LDC poles. Otherwise, telecoms will then be required to provide compensation to the LDC to ensure that the applicable design criteria, including potential replacement of LDC poles, is met when overlashing.</p>

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	<p>Bell and Hydro One Agreement</p> <p>Should the Bell / Hydro One agreement be taken into account in determining the Pole Attachment Charge?</p>	<p>Telecos have argued during PAWG Meetings No. 3 and No. 4 that this agreement should be taken into account in determining the Pole Attachment Charge.</p> <p>The OEB’s presentation at PAWG Meeting No. 4, slide 26, addressed this issue as follows:</p> <ul style="list-style-type: none"> • EB-2015-0141, Exhibit I, Tab 4 Schedule 2 Pages 2-3, Hydro One responses to the Telecos Interrogatory 2 – confirms that no cross subsidization of cost occurs nor services provided to Bell. • In its Decision the OEB states: “Since no monies are exchanged by Bell and Hydro One, the arrangement does not impact pole attachment arrangement”. 	<p>No monies for pole rental are exchanged between Hydro One and Bell, in lieu of access to each other’s poles.</p> <p>Hydro One determines it’s net embedded cost per pole, based on their own asset value and nothing to do with Bell owned poles. Also, in Hydro One’s calculation of number of attachers, Hydro One includes “all attachers” which Bell is one.</p> <p>In no way does the agreement between Bell and Hydro One have any influence on the calculation of the pole attachment rate, other than in the calculation of number of attachers, and if Bell attachments are removed, the number of attachers will be decreased, which causes the pole attachment rate to increase.</p>

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	<p>Data Collection</p> <p>During the consultation the Telecoms have questioned the accuracy and quality of the data that has been collected.</p> <p>To refine the data collection process going forward, should LDCs be required to create sub accounts directly related to the pole attachment charge cost inputs?</p> <p>If yes, should the cost to create and maintain these sub accounts related to pole attachment Telecom cost allocations be added into the Direct Administrative Costs?</p>	<p>This consultation has resulted in a database of cost inputs for pole attachments that is representative of more than 95% of the pole population in the province. To continue to improve the accuracy and ensure that the data remains up to date going forward, LDCs could collect pole attachment cost data within specific sub accounts. Current OEB Accounting Procedures Handbook does not require this level of granularity. Implementing this next level of granularity could bring more certainty to cost inputs and simplify future rate applications.</p>	<p>LDCs consider that the collected data is very accurate, since it is based on the 95% of the pole population. Creating sub accounts would provide an opportunity to LDCs to track costs more accurately, and would increase both parties' comfort levels on the accuracy of the data. LDCs further agree that the incremental efforts required to track these costs be added into the Direct Administrative Costs.</p>