

**OEB Pole Attachment Working Group - Key Issues
Comments of the Carriers – March 3, 2017**

Key Issues	Description of Issue	COMMENTS
<p>1. Separation Space <i>Should Separation space be treated as common space?</i></p>	<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 Telecom 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 Telecom wires because of line sag during peak summer months and ice loading in the winter.</p>	<ul style="list-style-type: none"> The statement in the issue description that Separation Space is needed to ensure clearance between power and Telecom wires because of line sag is incorrect. Power line sag is not part of the Separation Space and must be accommodated within the Power Space. It is a requirement for the power facilities. Telecom attachers do not cause power line sag and therefore should not be responsible for any of the associated costs. Stated differently, space for power line sag is caused by power use of the pole. It is not caused by the common use of the pole. If the 11.5 feet allocated to power is not sufficient for power line sag, then the power allocation must be increased. Regarding the proposition that Separation Space should be fully allocated to the telecoms, we are of the view that, if all users on a pole are considered to be equal beneficiaries of the pole, then the Separation Space must be considered to benefit all users equally. Neither the power user nor the telecom user could benefit from a joint use pole without the Separation Space. In other words, the Separation Space is required equally by telecom and power attachers on a joint use pole. Without it, the pole cannot be a joint use pole. If an LDC wants to build joint use poles and earn revenues from them, it must include Separation Space. If a telecom wants to build joint use poles and earn revenues from them, it too must include Separation Space. Separation Space is not specific to power or telecom because ownership of the pole changes. It is a common requirement of joint users and therefore qualifies as common space.
<p>2. Equal Sharing <i>Should the principle of allocating Common space costs equally between Telecoms and LDCs as set out in the OEB 2005 Decision continue going forward?</i></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 Telecom attachers. This results in an allocation of 22.4% - assuming 1.4</p>	<ul style="list-style-type: none"> The statement in the issue description that the Proportionate Use approach does not allocate any costs of the Common Space to telecom attachers is incorrect. So is the statement that it assumes that telecom attachers put no additional burden on the pole. The Proportionate Use approach allocates the costs of the Common Space based on proportionate use of the dedicated space. For example, if power uses 11.5 feet of dedicated space and telecom uses 5.25 feet for a total of 16.75 feet, then the telecoms are assigned 31% (5.25/16.75) of the costs attributed to the Common Space. The statement in the issue description that the OEB has “historically” adopted Equal Sharing is also incorrect. In fact, the OEB has only considered the allocation methodology once - in its 2005 decision when it set the pole attachment rate at \$22.35. In the two proceedings since then, it expressly refrained from considering whether an Equal Sharing methodology was appropriate.

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	<p>Telecom attachers. This principle assumes that the Telecom attachers do not put any additional burden on the pole in terms of cost or maintenance.</p>	<ul style="list-style-type: none"> • Regarding the Equal Sharing approach, the OEB adopted this approach in its 2005 Decision based primarily on (1) its determination that the historical joint ownership shares between the phone companies and the LDCs was consistent with this approach and (2) its observation that, as more parties attach to the pole, the notion of a discrete allocation of space on a pole to each party “becomes more problematic”. These conclusions are no longer valid. • In fact: (1) negotiated ownerships shares are not consistent with equal sharing allocations, particularly when there is more than 1 telecom attacher on a pole and the LDC generates revenues from the telecom space on its poles; and (2) the Equal Sharing approach continues to assume a discrete allocation of space on a pole to “power” and to “telecom”. • No evidence on the approach to allocating common pole costs has been tendered or considered by the PAWG. Such evidence would address the facts and conclusions which follow. Stakeholders are entitled to a fair process that provides for the submission and testing of evidence on the methodology used to set the pole attachment rate. • The Equal Sharing approach incorrectly assumes that all attachers place the same burden on the common space on a pole. The reality is that there are generally considerably more and bigger power line attachments on a pole than telecom attachments, and these power attachments place greater weight and stress on the pole. We attach a photo illustrating the different facilities on a joint use pole in Appendix A. • The Equal Sharing approach also assumes that rate-paying telecom attachers have the same rights and benefits as the pole owner. This assumption is also incorrect. As discussed below, the rights of third party telecom attachers are subordinate to those of the pole owner: <ul style="list-style-type: none"> ○ Third party telecom attachers must place their facilities on the pole as directed by the LDC pole owner. In fact, when requested by an LDC, a telecom attacher must remove its facilities from the top position in the Telecom Space, at its own cost, so that the LDC can use that space for its own facilities. At least one large LDC is currently seeking to exercise this right. Only the LDC pole owner can reserve space for itself and/or require other users of the pole to move their facilities at their cost. ○ Third party telecom attachers do not have any control over the costs of poles and the timing of their replacement.

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		<ul style="list-style-type: none"> ○ Third party telecom attachers cannot earn revenues by providing access to the pole. ○ Third party telecom attachers must pay all costs of making poles ready to accommodate their additional use of the pole, while the LDC owner gets the upgrades at no cost and is then able to earn attachment fee revenues. ● The Equal Sharing approach assumes the relationship between pole cost and space utilization is perfectly linear. In fact, LDCs often require, for their own power-specific needs, significantly taller and more expensive poles than are required by the telecom attachers. This drives up the average pole cost of a pole and the pole attachment rate. ● In sum, due to the greater number of attachments, weight and stress the LDC places on the pole, the superior rights of the LDC relative to a third party telecom attacher, and the LDC requirements for bigger and more costly poles, the equal sharing methodology is, in our view, not equitable, and these factors all consistently support the conclusion that the proportionate usage method is fair and appropriate.
<p>3. Default Values <i>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 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?</i></p>	<p>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.</p>	<ul style="list-style-type: none"> ● The description of the issue suggests that the data collected is representative of average pole costs for LDCs across the province, and could be used to create a kind of default pole attachment rate. The Carriers disagree. Before such average and default values can even be considered, the following must be happen: <ul style="list-style-type: none"> ○ Each LDC must fully disclose the method it used to determine the data it submitted, and all interested parties must be permitted to test the methodology and resulting data. ○ Any significant differences among the different LDCs must be analyzed and explained. This understanding is essential to determining whether an average is representative of the costs of LDCs subject to a default rate. ● Most of the data submitted to Nordicity was not disclosed to the other PAWG participants, and none of it was subject to testing by other PAWG participants. This means that its quality and probative value cannot be assessed at this juncture. ● The data submitted by Toronto Hydro in its rate proceeding was not addressed, reviewed or confirmed by the Board. The final rate was set by way of settlement without any reference to costing data or methodology. Therefore, no reliance can be placed on this data at this time.

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		<ul style="list-style-type: none"> Hydro Ottawa, Hydro One and Toronto Hydro all used different approaches in determining their costs, including how they estimate their admin costs, productivity loss and power-specific costs. This has resulted in significant variance among the cost inputs they claim. These variances have not been examined or explained. Also, there is no evidence to suggest that the age, size and other characteristics of the pole populations are similar across LDCs – factors which have a significant impact on pole costs. Without full disclosure of all the data, as well as the approaches the LDCs used to come up with their cost estimates, it is not possible to determine if the data is consistent and comparable. In other words, we don't know if the "averages" calculated by the Board and Nordicity are based on "apples-to-apples" data, or an aggregation of apples and oranges. Further, without full disclosure of the data and estimation approaches, as well as an understanding of all the inconsistencies across the data, it is not possible to determine whether the averages derived from this data are representative of costs incurred by other LDCs. Payers of the pole attachment rate are entitled to a fair process that allows the data used to set the rate to be tested through full disclosure, interrogatories and cross-examination - none of those things occurred in the PAWG process. Therefore, neither the PAWG process nor the existing evidence support a reasonable determination of default costs or other inputs to the pole attachment rate.
DIRECT COSTS		
<p>4. Admin Costs <i>Should a weighted average of \$2.85/pole be used as the default value? This value is based on the Three Decisions.</i></p>	<p>Administrative Costs - directly associated with managing and administering Telecom pole attachments, such as permitting, licensing, payroll, vehicle, OM&A support services.</p>	<ul style="list-style-type: none"> The PAWG process did not address the methodological issues for determining admin costs. There was no discussion at what costs should be included and how they should be determined (or estimated) by the LDCs and no evidence has been tendered on these issues. The description of this cost category refers to "permitting, licensing, payroll, vehicle, OM&A and support services". The source of this list is not identified. Further, the description does not provide any indication of what "licensing, payroll, vehicle, OM&A and support services" related to administering rate paying telecom attachments (presumably outside of the costs of permitting, which is separately identified) might be and, if they are related, how these costs can be estimated accurately.

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		<ul style="list-style-type: none"> Hydro Ottawa, Hydro One and Toronto Hydro adopted different approaches to estimating their admin costs. Not surprisingly, these amounts are all over the map. For example, Hydro One used \$0.90 yet Hydro Ottawa used \$2.28. (Toronto Hydro claimed \$5.03 in its application. Again, this cost input was <u>not</u> reviewed or approved by the Board. The Toronto Hydro pole attachment rate is a number that was agreed to by way of settlement among the parties.) Some LDCs charge separately for permits while others include the associated costs as part of in admin costs. There was no discussion of whether permitting costs should be recovered through the pole rate or separately. A default or average value of \$2.85 has been proposed. This “average” is based on disparate numbers submitted by three large LDCs using differing methodologies and data sources, including a complete outlier by Toronto Hydro that was never reviewed by the Board. A weighted average of these numbers is <u>not</u> an appropriate basis for establishing a “default value” for other LDCs.
<p>5. Loss In Productivity <i>Should a weighted average of \$3.30/pole be used as the default value? This value is based on the Three Decisions.</i></p>	<p>LoP - costs associated with field verification cost of pole replacement.</p>	<ul style="list-style-type: none"> The PAWG process did not address any methodological issues in determining loss in productivity (LIP) costs. There was no discussion of what costs should be included and how they should be accurately estimated, including how to correct for any possible double-counting where such costs are already included in capitalized pole costs used to set the rate and no evidence has been tendered on these issues. This is an essential first step in determining whether a “default” cost can even be considered. In our view, if an equal sharing model is adopted, LIP costs should not be recoverable through the rate. This is because third party telecom attachers also incur LIP and other direct costs due to their use of the poles which they are unable to recover from the pole owner. If third party attachers are indeed “equal” to the pole owner, then neither party should be able to recover these kinds of costs - to do so would be inconsistent with the equal sharing” methodology. In this regard, we understand that Bell and Hydro One do not compensate each other for LIP costs when they attach to each other’s poles. However, this can only be verified by a review of the Bell-Hydro One joint use agreement, as well as joint use agreements between Bell and other LDCs, which have yet to be disclosed in any rate proceeding. Hydro One, Hydro Ottawa and Toronto Hydro all took different approaches to estimating LIP costs and claimed very different cost amounts. The Hydro One decision approved LIP costs of \$3.09, while the Hydro Ottawa decision approved \$1.96. Toronto Hydro claimed \$5.09 in its application, but, as in the

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		<p>case of its claim for admin costs, the LIP claim was never specifically addressed, reviewed or approved by the Board.</p> <ul style="list-style-type: none"> An average of these disparate numbers is an apples to oranges number, and there is no evidentiary basis to conclude that it is representative of a default cost for other LDCs. Therefore, to answer the question, no, a weighted average of \$3.30/pole should not be used as the default value.
INDIRECT COSTS		
<p>6. Deduction for Power Specific Assets <i>Should a range of 15% to 18.2% be used as a default value?</i></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>	<ul style="list-style-type: none"> Reference is made to the 15% deduction used for Toronto Hydro. However, as explained before, the rate resulting from this proceeding was based on a settlement and the Board did not consider or approve a deduction for power-specific assets for Toronto Hydro. The Hydro Ottawa decision adopted 5%. This was based on a witness statement that Hydro Ottawa was abandoning the use of cross-arms on poles. There was no evidence before the Board on when this change actually occurred or what the installed cost of cross-arms was to support the 5% proxy. To ensure that the telecom attachers are not paying for assets they do not use and for costs caused solely by power requirements, the costs of the following assets must be deducted from Account 1830: <ul style="list-style-type: none"> all power-specific assets and any other non-common assets on LDC-owned poles; all power-specific fixtures that are located on Bell poles; taller and more expensive poles that are required for power needs (including by third party generators); all third party make-ready and other contributions to the capitalized installed costs that form part of Account 1830; and poles that are replaced prematurely due to hydro (and/or third party generator) requirements. All of these deductions must be made to ensure telecom attachers are not subsidizing power-specific costs, a subsidy that is grossly inflated if an equal sharing approach is adopted. Most of the data Nordicity used to determine the 18.2% was not disclosed. Further, none of it was tested. In fact, only Hydro One identified its proxy approach for estimating the power-specific deduction, and none of its underlying assumptions or data were tested. In any event, Hydro One's proxy

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		<p>approach addresses only the power-specific assets on its own poles - it does not capture the other assets and costs described above.</p> <ul style="list-style-type: none"> We have no visibility into the deductions and data submitted by other LDCs to Nordicity. Without full disclosure of their data and approaches, and an ability to test the numbers and assumptions, as well as to assess any discrepancies, there is no basis to conclude that the numbers submitted are meaningful, comparable or representative of an appropriate deduction for other LDCs.
<p>7. Net Embedded Cost <i>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.</i></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>	<ul style="list-style-type: none"> The description of the issue refers to 10 different LDCs. The names of the LDCs and the source data have not been disclosed. Similarly, the source data used by Nordicity to determine 5 and 10 year averages has not been disclosed. As already stated, a default value must be supported by credible evidence and sufficient testing to ensure that it is in fact representative. The data and source of the average NBV reported by some 10 LDCs, or the 5 and 10 year averages calculated by Nordicity, have not been disclosed, and have certainly not been tested. If the numbers vary significantly across LDCs, an average may not be representative of other LDCs. Significant discrepancies likely exist and, without a proper explanation, it is not possible to conclude that the averages are representative of any or all LDCs. In addition, to date, no explanation has been provided by the LDCs as to why their NECs are several times that of NB Power (\$350). This is an anomaly that bears investigation and explanation. In the absence of proper disclosure of the NEC figures and an opportunity to test the data and understand any discrepancies, it is not possible to conclude that \$1,077.93 is representative of the NEC of LDCs.
<p>8. Cost of Neutral <i>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</i></p>	<p>No precedent in any jurisdiction to add this cost. Not included in OEB 2005 Decision. However, a case can be made for sharing this cost with Telco's based on the following arguments: 1) CSA Standards require communication facilities to be bonded to the neutral at a minimum of every 300 meters,</p>	<ul style="list-style-type: none"> No, the cost of the neutral wire should not be added to the capital cost of the pole. A central premise of cost-based rates is that all costs caused by a user should be recovered from that user. The neutral is a fixture on the poles that is only required because there are power-specific assets on the pole. Telecom facilities do not require a neutral and a telecom-only pole does not have a neutral. In other words, the neutral asset is caused by and required for power facilities. The CSA requirement that telecom and power facilities are required to bond to one another does not alter

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<p><i>by Hydro One and Hydro Ottawa.</i></p>	<p>2) ESA Guideline for Third Party Attachments requires no undue hazards,</p> <p>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> <p>Bonding typically occurs every 3rd pole. Assuming equal sharing of this cost, 28% may be appropriate.</p>	<p>the fact that it is the presence of power facilities that causes the requirement for a neutral.</p> <ul style="list-style-type: none"> • Furthermore, with one exception, a neutral is always required on a power-only pole. The one exception is a pole for sub-transmission lines, where a neutral is only required where the pole supports both power and other types of facilities. Even in this situation, the requirement for a neutral is due to the presence of the power lines. Moreover, in this case, the telecom attacher is required to pay for the entire neutral upfront – the LDC incurs no cost for this facility. • As neutral costs incurred by an LDC are caused solely by the presence of power facilities on the pole, it is a cost that should be borne solely by power users. We understand this approach is corroborated by the way the neutral is treated on joint use poles that are owned by Bell and not the LDC. In those cases, the LDC owns and bears all costs of the neutral and Bell is not required to contribute to the cost of the neutral. In fact, the LDC may be required to pay for Bell's costs of bonding to the neutral - another example of the subordinate treatment of non-Bell attachers, which are required to pay this cost. Disclosure and review of the joint use agreements between Bell and the LDCs is required to confirm this understanding. • In any event, even if one were to agree that a telecom attacher should contribute to the cost of the neutral (which we expressly dispute), the 28% allocation proposed by Hydro One is based on undisclosed data and an untested methodology. It cannot be taken as having any probative value.
<p>9. Pole Maintenance <i>Should \$6.80/pole be used as the default value for costs contained in account 5120?</i></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>	<ul style="list-style-type: none"> • The numbers used to determine the proposed weighted average have not been disclosed or tested. • The discrepancy between the Hydro One and Hydro Ottawa numbers is huge. Without an understanding of the reason for this discrepancy, an average of these numbers cannot be seen as meaningful or representative of other LDCs' maintenance costs. • For these reasons, our response is, no, \$6.80/pole should not be used as the default value for costs contained in Account 5120.
<p>10. Line Maintenance <i>Should \$3.68/pole be used as the default value for costs contained in account 5020? This value is based</i></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</p>	<ul style="list-style-type: none"> • By definition, this account deals with the costs of maintaining power lines on LDC poles, as well as on third party poles and elsewhere. Third party telecom attachers should not be required to bear any of the costs of maintaining power lines. There is no evidence to demonstrate that these costs are additional to the pole maintenance costs that are already covered in Account 5120.

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<i>on RRR data for the PAWG LDCs and 50% allocation.</i>	data for the PAWG LDCs results in a cost of \$3.68/pole.	<ul style="list-style-type: none"> The Hydro One assertion that 50% of these costs are attributable to maintenance of poles is not consistent with the definition of the account. Further, Hydro One's 50% proxy is merely a number – it is completely untested and unsupported by facts or studies. In response – no, \$3.68/pole should not be used as the default value for costs contained in Account 5120.
11. Neutral maintenance <i>In the case that the cost for the Neutral is included, should \$1.90/pole be added as default value to the maintenance cost?</i>	<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>	<ul style="list-style-type: none"> For all the reasons discussed above, it is inappropriate to include any portion of this cost in the rate base. All costs of the neutral are causal to power use of the pole.
12. ROW Maintenance <i>Should Vegetation Management (VM) be included in the pole Attachment Charge? If yes, how should the current agreements between Telecom/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%?</i>	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.	<ul style="list-style-type: none"> The practices of LDCs are very different with respect to vegetation management and vegetation management obligations and cost sharing are routinely negotiated with LDCs. Given this, the Carriers believe that vegetation management costs should not be included in the pole attachment rate. Should it be necessary for the Board to establish principles around the sharing of vegetation management costs, the starting point for this analysis should be the joint use agreements between the LDCs and Bell. We understand that these agreements provide that, at most, 10% of an LDC's vegetation management are attributable to telecom use. Again, this would need to be confirmed through disclosure and review of these agreements. Further, the proposed default value is based on data and assumptions that have not been disclosed and tested. Hydro One's proposal that 33% of an LDC's vegetation management costs be allocated to the telecom attachers is, at best, an overstated guess. Vegetation management needs and practices among LDCs and telecoms vary greatly. In our view, a proper analysis would comprise an entire hearing on its own. It cannot be established an untested, unsubstantiated and unverified estimate provided by a single LDC.

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		<ul style="list-style-type: none"> Accordingly, the record cannot support use of this number as any kind of “default”.
GENERAL ISSUES		
<p>13. Single provincial rate <i>Should the OEB set a single provincial rate?</i></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>	<ul style="list-style-type: none"> While there may be merit in establishing a single pole attachment rate for LDCs, it is critical that such rate be reflective of the costs of the LDCs that apply it. The Hydro One and Hydro Ottawa decisions, as well as the Toronto Hydro settlement, did not consider one of the most important issues in determining the pole rate - the methodology for allocating common pole costs. Accordingly, until this issue is addressed, there is no basis for concluding that these rates are even appropriate for the three LDCs in question - let alone for other LDCs. They are based on a methodology (Equal Sharing using actual number of attachers) that has never been employed by any other regulator, and results in dramatically higher rates. Further, for all the reasons discussed above, there is no proper procedural or evidentiary basis for concluding that the cost inputs to these rates are representative of costs incurred by other LDCs. These other LDCs might, for example, have costs that are similar to NB Power. It is therefore premature to conclude that an immediate adjustment to the \$22.35 rate currently applied by other LDCs is required.
<p>14. Annual Adjustment <i>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).</i></p>	<p>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>At Meeting No. 4, staff presented one such mechanism that mirrors the current LDC Annual Adjustment Mechanism:</p> <ul style="list-style-type: none"> The inflation factor is based on two weighted price indicators (labour and 	<ul style="list-style-type: none"> In order to determine whether an annual escalator is appropriate and, more importantly, just and reasonable, one must first apply an approved methodology to historical costing data. This will allow a determination of whether the resulting rate has moved over time in a manner that is consistent with an annual escalator. Without a proper methodology applied consistently to the historical data, there is no basis for concluding that an annual escalator is appropriate. In this regard, we note that other factors such as pole replacement (which cause average NECs to increase) or changes in the average number of attachers will have a huge impact on the rate, yet are unlikely to track movements in inflation. In fact, if the Equal Sharing approach using the actual number of attachers is adopted, an annual rate reconciliation, based on annual changes to costs and other inputs, including number of attachers, will need to be applied. In such cases, an annual escalator would be redundant.

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	<p>non-labour) which provide an input price that reflects Ontario's electricity industry.</p> <ul style="list-style-type: none"> - The X-factor has two parts: a productivity and stretch factor. - 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. - 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%. - The LDC pole Attachment charge would be reset annually using this mechanism until the LDC makes an application for full cost of service, at which time the pole attachment charge would be incorporated into the overall charge. 	<ul style="list-style-type: none"> • If an annual escalator is deemed appropriate, there would also need to be a significant productivity offset, given the material discrepancy between pole costs reported by Ontario LDCs and those of other pole owners in Ontario and other provinces.
<p>15. No. of Telecom Attachers "Provincial Average"</p> <p><i>In the absence of LDC specific data, should a value of 1.4 Telecom attachers per pole be adopted as a default?</i></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>	<ul style="list-style-type: none"> • The description of the issue makes no reference to whether an actual or presumptive number of attachers should be used and, in either case, how that number should be determined. • No regulator other than the OEB has applied the equal sharing methodology using the actual number of attachers. Further, no regulator other than the OEB has applied the equal sharing methodology using a number of attachers that does not presume that there are at least two telecom attachers - the incumbent telecom (in Ontario, Bell) and a third party attacher. • In almost all cases, when a third party telecom attaches to a joint use pole, Bell will also be on that pole. This is because Bell is the historical incumbent telephone company and has deployed its network wherever there are customers. Any third party deploying its network will be doing so in the same

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		<p>customer areas. Further, there will be no other poles for the third party telecom to attach to. This means that there are at least 2 attachers on every pole – Bell and a non-Bell telecom.</p> <ul style="list-style-type: none"> • In addition, due to Bell's status as the incumbent and historical telephone company, it is on considerably more poles than the other telecoms. Therefore, if the average number of attachers is determined using poles with only Bell attachments, the other telecom attachers are effectively paying for poles they do not use. • To illustrate, consider a situation where there are 100 poles with telecom attachments. 50 have only Bell attachments, 25 have Bell and one other telecom attacher, and 25 have Bell and two other telecom attachers. If you include poles with only Bell attachments, the average number of attachers is 1.75 $((50+50+75)/100)$. If you exclude those poles with only Bell attachments, the number of attachers is 2.5 $((50+75)/50)$. • The example also illustrates the inherent arbitrariness of an actual number (which is wholly dependent on an arbitrary denominator in the average calculation). • The arbitrariness of the actual number of attachers approach is further illustrated by the fact that an LDC that has the same number of billable attachments will have a significant different pole attachment rate and associates revenues from those attachments, simply because of a different distribution of attachments across its poles. Consider two LDCs, each with the same 50 billable attachments, albeit on different poles. In one case, there is one billable attachment on every pole; in the other, there are two billable attachments on 25 poles. The average number of attachers is 1 for the first LDC and 2 for the second. This difference has a significant impact rate - even though the attachments and the amount of space they utilize on the two LDCs' poles is identical. It makes no sense to have significantly different rates and attachment revenues in these two circumstances. • In summary, there is no sound reason to require non-Bell attachers to pay for poles they do not use or to levy significantly different rates for identical attachments, simply because of a different distribution of attachments across poles. In contrast, a presumption that there are at least two attachers is sound and stable across all LDCs. • Other issues arise in the context of determining actual number of attachers. For example, if an Equal Sharing model is adopted, the number of attachers cannot

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		<p>be based solely on the number of telecom attachers. It must also reflect the number of other attachers (e.g., generator, streetlight, wireless, etc.) that use the same poles. Equal sharing means exactly that - all users must share equally in the common costs of the pole that they use.</p> <ul style="list-style-type: none"> • Another matter relates to the attacher per pole number that has been taken from the Toronto Hydro filing. As it turns out, that number is not accurate. Shortly after the settlement was reached, Toronto Hydro announced an agreement with Bell to put attachments on an additional 80,000 poles. This would have had a very significant impact on the average number of third party attachers Toronto Hydro was claiming. • Based on all the foregoing, there are no reasonable grounds, whether based in theory or in fact, to substantiate the assertion that it is appropriate to us an average number of attachers of 1.4 as a default value for all LDCs.
<p>16. Overlashing Revenues <i>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 Telecom to overlash. Should there be a limit to the number of overlashers and/or weight limitation per strand?</i></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 Telecom who overlashes its own strand or from an overlasher who continues to add cables. Telecom could continue to overlash until pole design weight limit is met without providing compensation.</p>	<ul style="list-style-type: none"> • The description of the issue is misleading and needs to be corrected. • All telecom attachers need strand. Strand protects and supports the telecom's fibre cables spanning the poles. The telecoms cannot install their cable without this steel strand. The strand is affixed to each pole and is tensioned in order to minimize sag. • The first telecom seeking to attach to a pole must install strand on the pole. It then "overlashes" its fibre cables to the strand. The second telecom coming to the pole can either install its own strand (at a different location within the Communications Space) or overlash its fibre to the strand of the first telecom. The process is the same for each subsequent telecom attacher. • Each time a telecom proposes to make another attachment (whether it be strand or fibre), it must conduct an engineering analysis on the pole to ensure that it will be structurally sound. In doing this, it will consider all factors that affect load, including the power facilities, the existing telecom equipment, the new equipment, and environmental factors such as wind and ice. If the loading exceeds allowable limits, the new attacher is responsible for taking all measures necessary to maintain the pole's structural integrity, including providing additional guying and anchors or, in some case, replacing the entire pole. All of this is done at the attacher's cost. • This means that there is no loss to the integrity of the pole when overlashing occurs, and no additional compensation to the LDC pole owner is required. In fact, in some cases as discussed above, the LDC may end up getting a brand

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		<p>new pole at no cost. Further, any attempt to limit the number of overlashers will reduce potential attachment revenues, as well as interfere with efficient pole utilization and telecommunications competition – all without any countervailing benefit.</p> <ul style="list-style-type: none"> • All rate-paying telecom attachers, whether or not they own their own strand, pay for the first attachment they make on a pole. A new attacher who overlashes to existing strand will pay the same pole attachment rate as the attacher who affixes its strand to the pole. The fact that telecoms are charged on a “per attacher” basis rather than a “per attachment” basis is a function of the data tracking abilities of the LDCs - they claim that do not and cannot track the number of attachments per pole. • The issue asserts that there was no confirmation as to what the overlashers were paying the telecoms to overlash. As argued by the Carriers in each of the four PAWG meetings, overlash revenues are no more relevant to the determination of a cost-based pole attachment rate than are any other revenues received by and LDC and other attachers to cover their operating costs. Overlash charges (by a strand owner) are set to recover the owner’s cost of the strand; they do not recover, and have no correlation to, pole access costs. • This issue description does, however, raise facts that are relevant to another matter. The weight and tension placed on a pole is actually relevant to the determination of which allocation methodology should be adopted. LDCs typically have many more and much heavier attachments on a pole, which place much greater stress and tension on the pole. For this reason, it is our view that it is not reasonable to treat a telecom attacher as an equal to an LDC attacher.
<p>17. Bell and Hydro One Agreement <i>Should the Bell / Hydro One agreement be taken into account in determining the Pole Attachment Charge?</i></p>	<p>Telecoms 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 	<ul style="list-style-type: none"> • As discussed above, the joint use and reciprocal agreements between Bell and the LDCs are relevant to a host of issues, including allocation methodology, vegetation management and the neutral. Without their disclosure, these issues cannot be addressed. • This is not simply a matter of whether there is any “cross subsidization nor services provided”. The Bell/LDC agreements are relevant to understanding the effective pole cost of an LDC for purposes of setting the pole rate. In this regard, the CRTC has expressly recognized that the effective cost to Bell of a joint use pole that is part of Bell’s joint use arrangement with Hydro One is 40% of the cost of the pole, as the remaining 60% is recovered from Hydro One

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	<p>responses to the Telecoms Interrogatory 2 – confirms that no cross subsidization of cost occurs nor services provided to Bell.</p> <ul style="list-style-type: none"> - 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>under the joint use arrangement. Absent a deduction for the effective recovery of pole costs from Bell (through joint ownership or reciprocal arrangements), the rate will require telecom attachers to over-contribute to the costs of a pole.</p> <ul style="list-style-type: none"> • Given the complexity of this issue, we include a more detailed explanation in Appendix A.
<p>18. Data Collection <i>During the consultation the Telecoms have questioned the accuracy and quality of the data that has been collected.</i> <i>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?</i> <i>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?</i></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.</p> <p>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>	<ul style="list-style-type: none"> • If an equal allocation approach is applied with an actual number of attachers that is less than 2.5, it is essential that the Board ensure that LDCs are required to collect and track accurate data that will be reviewed on an annual basis and reconciled with the pole attachment rate. By the same token, requiring third parties to bear any significant additional costs for data collection is neither effective nor efficient.