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BY EMAIL and WEB POSTING

June 24, 2021

To: Rate-regulated Electricity Distributors
All Other Interested Stakeholders

Re: Updated Filing Requirements for Electricity Distribution Rate Applications

Today, the Ontario Energy Board (OEB) issued an updated version of its *Filing Requirements for Electricity Distribution Rate Applications* (Filing Requirements) in advance of the filing of applications for 2022 rates.

Overview of Updates to the Filing Requirements

The OEB has initiatives underway that may affect future versions of the filing requirements. This includes a [consultation](#) to update the filing requirements for small electricity distributors for next year's applications for 2023 rates. As such, the OEB has proceeded with a relatively minor update to the Filing Requirements for 2022 rates to account for the passage of time since the issuance of the Filing Requirements for 2021 rates.

Chapter 1 has been updated with revised dates and the addition of a requirement that the utility must also include a separate certification that the evidence does not include any personal information (as that phrase is defined in the *Freedom of Information and Protection of Privacy Act*), that is not otherwise redacted in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

Chapter 5 has been updated only to revise relevant dates.

Notable updates have been made to Chapters 2 and 3 in the following areas:

Chapter 2

- In order to support the OEB's consideration of its new objective, to facilitate innovation in the electricity sector. The OEB invites distributors to include in their cost-based applications a description of the ways that their approach to innovation have shaped the proposals in the application.
- Pending further work on the Activity and Program-based Benchmarking (APB) initiative in future, the OEB has added an expectation for distributors to discuss their performance for each of the ten programs and provide any immediate remedial actions that they are planning to take. Distributors may also provide details of how the APB results will influence future planning.
- Working Capital: clarification that the Cost of Power update should incorporate updated Regulated Price Plan prices and the Ontario Electricity Rebate
- Clarification that bill impacts should be based on TOU RPP, not tiered
- In proposing an Advanced Capital Module (ACM), applicants should be aware that they will be required to confirm their most recent return on equity (ROE) for the year in which an asset goes into service during the IRM term in order to confirm the availability of ACM funding; if above 300 basis points from the approved ROE, the applicant would not qualify for incremental funding. This approach is consistent with the long-standing policy regarding an incremental capital module that is proposed during the IRM term.

Common to Chapter 2 & 3

- Global Adjustment (GA) Analysis Workform: inclusion of a reasonability test for Account 1588 to support the allocation of GA charges between customer classes
- Account 1595: removal of the requirement to file a 1595 Analysis Workform if a distributor is not requesting disposition of Group 1 deferral and variance accounts

Chapter 3

The OEB has extended the means test to apply to any Z factor claim. A distributor's achieved regulatory ROE must not exceed its approved ROE by more than 300 basis points for its most recently completed fiscal year to qualify for a Z-factor claim.

Other notable changes are as follows:

- Incremental Capital Module: notification that a utility may be required to file a Distribution System Plan (DSP) if the original five-year horizon for a distributor's current DSP has elapsed

- Means test for inflation adjustment: inclusion of an option for a distributor to file a proposal to normalize its ROE for out-of-period impacts (for example, revenues or costs that pertain to a prior period but recognized in a subsequent one)
- Appendix A: additional wording provided to clarify that sunset dates for rate riders remain in force during an interim rate period

The OEB will post versions of all models and schedules to Chapters 2, and 5, including the cost of service (COS) checklist shortly. The Benchmarking Spreadsheet Forecasting Model will be posted in due course. In addition, the OEB will post versions of the IRM model for Chapter 3 in July 2021.

Consistent with the *Handbook for Utility Rate Applications*, distributors filing a Custom IR application should be informed by the updated version of Chapter 2.¹

Treatment of COVID-related Impacts

The Report of the Ontario Energy Board - [Regulatory Treatment of Impacts Arising from the COVID-19 Emergency](#) (the Report) was issued on June 17, 2021, which provides guidance to utilities who intend to make a claim to recover any pandemic-related impacts incurred to date. As noted in the Report, the Account is in effect until the utility's subsequent rebasing application. Furthermore, for any utilities seeking a claim, the ideal circumstance would be for utilities to request disposition of any amounts in the Account in conjunction with their respective cost-based rate applications. The OEB has not updated the Filing Requirements for any matters specifically pertaining to the COVID-19 pandemic but where reasonable, distributors are expected to incorporate any impacts associated with the pandemic into their forecasts.

Pre-Application Meetings

One of the observations in the 2020 [Financial Review](#) was the need for “space” for the OEB to dialogue with applicants in advance of the filing of their applications, without prejudice to any future decision. To respond to this, the OEB is making pre-application meetings available for all electricity and natural gas cost of service applications, regardless of utility size, starting with applications from electricity distributors for 2022 rates. Pre-application meetings are not mandatory, but are being offered to assist applicants.

¹ Page 25 of the *Handbook for Utility Rate Applications* states as follows: “A Custom IR application is by its very nature custom, and therefore no specific filing requirements have been established. However, any utility filing a Custom IR application should be informed by the cost of service filing requirements and this Handbook.”

The OEB received feedback from some distributors that it would be helpful to have the participation of intervenors in these meetings. The OEB agrees that this approach would generally be the most productive and is facilitating this option for distributors. With this approach, an invitation to attend would be extended to stakeholders who intervened in the applicant's most recent cost of service proceeding or in any subsequent rate-related hearing involving the applicant. If an applicant prefers just to seek feedback from OEB staff, that option can also be accommodated.

Pre-application meetings will provide an opportunity for distributors to receive early feedback on their application prior to finalizing it. Distributors will have an opportunity to discuss the application process that the OEB may follow to review the application, the applicable filing requirements and any issues of concern for stakeholders. OEB staff and stakeholders will likewise have an opportunity to understand the key issues that are likely to arise in the upcoming proceeding and therefore provide an opportunity to focus their examination once the application is filed. The purpose of a pre-application meeting is not to settle any issues.

Participation in a pre-application meeting does not guarantee intervenor status in respect of the hearing of the application. Participants will still be required to apply for intervenor status and to satisfy the OEB that they should be granted that status.

Participants that are approved as intervenors in respect of the hearing of the application, and that are found to be eligible for cost awards, will be permitted to claim cost awards for their participation in the pre-application meeting, to a maximum of actual meeting time plus 60 minutes for preparation.

OEB staff will contact distributors to inquire if they wish to proceed with a pre-application meeting.

Orientation Session and Other Matters

The OEB will provide an overview of Chapters 1, 2 and 5 at the annual Orientation Session, which is anticipated to be held on July 14, 2021 for all distributors filing for 2022 and 2023 cost of service rates.

Information on the process for 2022 incentive rate-setting applications (under Price Cap IR or Annual IR Index), including filing dates for distributors and information sessions, will be communicated separately.

The OEB has initiated [a review of Chapters 2 and 5 of the Filing Requirements](#) with a working group of distributors that serve less than 20,000 customers. Amendments are expected to the Filing Requirements for 2023 rates and beyond. This initiative will then be expanded to the remaining distributors.

Any questions relating to this letter should be directed to the OEB's Industry Relations Enquiry e-mail at IndustryRelations@oeb.ca. Please include "2022 Filing Requirements" in the subject line.

Yours truly,

Original signed by

Christine E. Long
Registrar