



Orientation Session for Electricity Distributors Rebasing in 2022/2023

July 14, 2021



Land Acknowledgement

The Ontario Energy Board acknowledges that our headquarters in Toronto is located on the traditional territory of many nations including the Mississaugas of the Credit, the Anishnabeg, the Chippewa, the Haudenosaunee and the Wendat peoples. This area is now home to many diverse First Nations, Inuit and Métis peoples.

We also acknowledge that Toronto is covered by Treaty 13 with the Mississaugas of the Credit.

We are grateful for the opportunity to gather and work on this land and recognize our shared responsibility to support and be good stewards of it.

House Keeping Items

- Please mute yourself when entering the meeting
- Participants will then be able to unmute themselves if they wish to speak
- To ask questions or provide comments please use the chat feature. Address questions to All Participants
- When the moderator calls your name, ask your question via audio by unmuting yourself
- Please state your name and organization when speaking
- If you are having problems, please contact OEB IT: ITHelp@oeb.ca

Agenda



9:30 Welcome and Land Acknowledgement

9:40 Adjudication Initiatives

10:00 Filing Requirements Updates

- Prior year changes - General - Accounting Changes - CDM and LRAM Changes

11:00 Refreshment Break

11:15 Review of Models

12:00 Intervenors' Perspective

How intervenors assess applications

12:45 Lunch Break

1:45 Role of the Registrar/Virtual Hearings

2:15 Application Pre-meeting and Error Checking

2:45 Refreshment Break

3:00 Q&A, Closing Remarks

3:30 Wrap Up

Adjudication Initiatives

July 14, 2021

Adjudicative Initiatives



[Chief Commissioner Plan](#)

**MODERNIZATION
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Filing Requirements Updates

Topics

Prior year changes
General changes
Accounting changes
CDM and LRAM changes

July 14, 2021

To Be Discussed

- Key Changes Since Last Rebasing (2017-2021) – General
 - Accounting and LRAMVA/CDM changes since last rebasing discussed in respective sections
- Introduction to 2022 Chapter 2 Filing Requirements
- Changes to 2022 Filing Requirements:
 - General
 - Accounting Related
 - CDM Forecast and LRAMVA

Key Changes Since Last Rebasing

- Last rebasing year was 2017 for most distributors filing cost of service applications for 2022 rates
- Handbook for Utility Rate Applications issued October 13, 2016
 - In previous years versions of the Filing Requirements, there was a significant amount of content that was duplicative of October 13, 2016 Rate Handbook
 - Duplications have since been removed or condensed

Key Changes Since Last Rebasing

2017 Filing Requirements Updates

- Previous version of FRs had significant amount of RRF context
 - Useful for initial years following commencement of RRF
 - Not required to the same level of detail going forward
- Report of April 14, 2016 “*Defining Ontario’s Typical Electricity Customer*” determined that the typical residential consumption to be used should be 750 kWh, rather than 800 kWh
- Updated RRWF

Key Changes Since Last Rebasing

2017 Filing Requirements Updates (cont'd)

- Late applications filed after the commencement of the rate year for which the application is intended to set rates (for example, application filed after April 30, 2021 for May 1, 2021 rates) should be converted to the following rate year, making the bridge year and new test year. In such a case, the OEB expects that the applicant will not apply for a rate update in that year
- Distributor Consolidation (2.1.9)
 - Distributor that has acquired or amalgamated with another distributor or distributors must identify any incentives that formed part of the acquisition or amalgamation transaction if the incentives represent costs that are being proposed to remain or enter revenue requirement

Key Changes Since Last Rebasing

2018 Filing Requirements Updates

- Distributor Consolidation - Addition reminding distributors that if they have acquired or amalgamated with any other distributors since the last rebasing application, the Handbook to Electricity Distributor and Transmitter Consolidations, issued January 19, 2016 should be consulted for further details on rebasing after consolidation
- Pensions and Other Post-Employment Benefits (OPEBs) Consultation

Key Changes Since Last Rebasing

2018 Filing Requirement Updates (cont'd)

- Materiality Threshold clarification provided to explain that these thresholds are used to examine material variances in rate base, capital expenditures and OM&A. A written explanation is required for rate base, capital expenditures, and OM&A costs if the **revenue requirement** impact of variances exceeds the applicable utility-specific threshold as follows:
 - \$50,000 for a utility with a revenue requirement less than or equal to \$10M
 - 0.5% of revenue requirement for a utility with a revenue requirement greater than \$10M or less than or equal to \$200 million
 - \$1M for a utility with a revenue requirement of more than \$200M

Key Changes Since Last Rebasing

2019 Filing Requirement Updates

- Plain-language Summary
- Completeness Letter
- Removal of accounting guidance for Modified Financial Reporting Standards (MIFRS)

Key Changes Since Last Rebasing

2020 Filing Requirement Addendum

- Removed all information related to community meetings
- The tariff sheets must be filed in a separate excel file
- Distributors are expected to consider the New Accounting Guidance in the context of historical balances that have yet to be disposed on a final basis
- Account 1595 sub-accounts are eligible for disposition when one full year has elapsed since the associated rate riders' sunset dates have expired and the residual balances have been externally audited

Key Changes Since Last Rebasing

2021 Filing Requirement Updates

- Incorporated Addendum from 2020 rate applications
- Updated Cost of Power calculation for the Regulated Price Plan and Ontario Electricity Rebate
- Revisions to lost revenue adjustment mechanism variance account
- Addition of information on accelerated Capital Cost Allowance

2022 Filing Requirement Update Overview

- General
 - Chapter 1
 - Completeness
 - Personal Information
 - Chapter 2
 - 2.1.3 Customer Summary
 - 2.2.2.3 Policy Option for the Funding of Capital
 - 2.8.6 Wireline Pole Attachment Charge

Key Changes – Chapter 1

Completeness

- The completeness review will also check for errors to the extent possible.

Personal Information

- Applicants must file a certification by a senior officer stating that the application does not include any personal information.
- Parties are also reminded of OEB's rules regarding personal information when filing interrogatories.

Key Changes – Chapter 2

2.1.3 Customer Summary

- Bill Impacts are to be based on time-of-use and regulatory charges held constant

2.2.2.3 Policy Option for the Funding of Capital

- Reminder that Advanced Capital Module funding is subject to a distributor passing the means test during the Incentive Rate-setting term.

2.8.2 Rate Design Policy

- New charges related to the distribution of electricity are expected to be a fully fixed rate design.

Key Changes – Chapter 2

2.8.6 Wireline Pole Attachment Charge

- Removed wording related to utility specific wireline pole attachment charge.
- The wireline pole attachment charge will remain at \$44.50 until further notice on an interim basis.

2.1.8 Performance Measurement

- The OEB issued the Activity and Program-based Benchmarking results on March 30, 2021.
- Distributors should review the APB and discuss their performance for each of the ten programs.
- Distributors may also include how the APB results may influence immediate/future actions the distributor is planning to take.

Key Changes – Chapter 2

2.1.9 Facilitating Innovation

- The *Ontario Energy Board Act* was amended to include a new electricity-related objective for the OEB to facilitate innovation in the electricity sector.
- Distributors should include in their applications a description of the ways that their approach to innovation have shaped the proposals in the application.



Thank You

Questions?

Accounting Changes

Sections:

- 2.4.3.1 - Workforce Planning & Employee Compensation
- 2.4.5.1 - Income Taxes or PILs
- 2.2.2.4 - Addition of Previously Approved ACM and ICM Project Assets to Rate Base
- 2.8.4 , 2.9.1.5 - Retail Service Charges and 2.8.6 Specific Service Charges – Wireline Pole Attachment Charge
- 2.9 Exhibit 9 - Deferral and Variance Accounts
- 2.9.1.2 - Commodity Accounts 1588 and 1589

Accounting Changes: Pensions and OPEBs

2.4.3.1 Workforce Planning & Employee Compensation

OEB Report on Regulatory Treatment of Pension and Other Post-employment Benefits (OPEBs) Costs – September 18, 2017:

- Establishes accrual accounting as the default method on which to set rates for pension and OPEB amounts in cost-based applications.
 - An OEB panel can use another method if accrual accounting does not result in just and reasonable rates.
- Establishment of a variance account to track the carrying charges on differences between the forecasted accrual amount in rates and actual cash payments made.
 - Asymmetric carrying charge in favour of ratepayers applied to the differential
 - Variance account is effective January 1, 2018, unless otherwise ordered by the OEB.

Accounting Changes: Pensions and OPEBs

Utilities with previously approved utility-specific OPEBs variance account:

- Some utilities have an approved variance account with utility-specific accounting order. In such cases, the OEB had set rates using the cash method and used a variance account for the difference between cash and accrual methods; keeping these prior periods open to further adjustments, pending the outcome of the 2017 Pension & OPEB consultation
- Utilities are expected to dispose of the account at their next cost-based application if, in that proceeding, the OEB approves the accrual method to recover pension and OPEB costs in rates
- The generic asymmetric carrying charge variance account will be effective upon a transition to the accrual method (if approved) as of the date of a utility's next cost-based rate order
- For detailed accounting guidance, refer to Appendices C and D to the OEB Report

Accounting Changes: PILs

2.4.5.1 Income Taxes or PILS

- Ontario small business tax rate changed from 3.5% to 3.2% effective January 1, 2020. Change reflected in PILS Model.
- Accelerated CCA deductions for assets acquired and placed in service after November 20, 2018
 - Removes the half year rule and enhances the relevant CCA rate by 50% (effectively 3x greater first-year tax deduction)
 - Certain asset types (electric vehicles, various clean energy equipment, M&P equipment) have 100% first-year deductions available
 - Rules will be phased out during 2024-2027 (effectively 2x greater first-year tax deduction)

Accounting Changes: PILs

- Account 1592, Sub-account CCA Changes to be brought forth for review and disposition
 - Amounts recorded in the sub-account should be in accordance with OEB's July 25, 2019 letter *Accounting Direction Regarding Bill C-97 and Other Changes in Regulatory or Legislated Tax Rules for Capital Cost Allowance*
 - The method and detailed annual calculation of the full revenue requirement impact must be provided.
 - Account 1592 balances disposed to date have typically disposed 100% of the balance. In the Decision and Order for EB-2020-0134, the OEB findings directed the applicant to dispose 100% of the balance to customers.

Accounting Changes: PILs and ACM

2.2.2.4 Addition of Previously Approved ACM and ICM Project Assets to Rate Base

- Accelerated CCA should not be reflected in an ACM revenue requirement
- The impact of the CCA rule change associated with any ACM projects that are approved for ACM treatment should be recorded in Account 1592, Sub-account CCA Changes
- The materiality criteria for an ACM includes a requirement that any incremental capital amounts must clearly have a significant influence on the operation of the distributor. The OEB may take the accelerated CCA into consideration in assessing the impact of the proposed capital project(s) on the operations of the utility in determining if ACM/ICM funding is warranted

Accounting Changes: Retail Cost Variance Accounts and Pole Attachment Account

2.8.4 and 2.9.1.5 Retail Services Charges, and 2.8.6
Specific Service Charges

*OEB Report on Energy Retail Service Charges -
November 29, 2018*

- Established Account 1508, Sub-account Retail Service Charge Incremental Revenue for distributors that no longer use RCVA to record the incremental revenues resulting from of the increase in the retail service charges as of May 1, 2019 until the effective date of its rebased rates

Accounting Changes: Retail Cost Variance Accounts and Pole Attachment Account

OEB Report on Wireline Pole Attachment Charges -March 22, 2018

- Established Account 1508, Sub-account Pole Attachment Revenue Variance to record the excess incremental revenue as of September 1, 2018 until the effective date of its rebased rates related to pole attachment charges

OEB Wireline Pole Attachment Charge Order (EB-2020-0288) – Dec. 20, 2020

- The current charge of \$44.50 will remain in effect as of January 1, 2021 on an interim basis, until further notice. The OEB will consider the need for a variance account in due course following completion of the current government initiatives.
- Once utilities have incorporated the updated retail service charges and pole attachment rates in their base distribution rates, no principal additions to the associated 1508 sub-accounts, RCVAs 1518 and 1548 are expected.
- Distributors may forecast a balance up to December 31, 2020 or April 30, 2021 and the OEB may consider disposing of the forecasted amounts. The accounts must be closed after disposition.

Accounting Changes: Correction of Errors in Group 1 DVAs

2.9 Exhibit 9: Deferral and Variance Accounts

Adjustments to Correct for Errors in Electricity Distributor “Pass-Through” Variance Accounts After Disposition - October 31, 2019

- Where applicable, the OEB will determine on a case-by-case basis whether to make a retroactive adjustment based on the particular circumstances of each case.
- Depending on the circumstances, the OEB may decide on asymmetrical treatment of corrections for retroactive adjustments.
- Applicants must provide explanations for the nature and the amounts of adjustments, and include appropriate supporting documentation, under a section titled “Adjustments to Deferral and Variance Accounts”.

Accounting Changes: Accounting Guidance for Accounts 1588 and 1589

2.9.1.2 Commodity Accounts 1588 and 1589

- *Accounting Guidance Related to Commodity Pass-Through Accounts 1588 & 1589 - February 21, 2019.*
 - The accounting guidance is effective January 1, 2019 and was to be implemented by August 31, 2019.
 - Confirm that the distributor has complied with the accounting guidance.
- Removal of RPP settlement process description and former Appendix A of the GA Analysis Workform for those that implemented the accounting guidance.

Accounting Changes: Accounting Guidance for Accounts 1588 and 1589

- Separate webinar on GA Analysis Workform and Account 1595 Workform on July 20, 2021.
- OEB inspection reports help support commodity account balances and verify any changes to historical balances that are requested for disposition. Distributors should consider filing inspection reports on the record.
 - If a distributor is of the view that certain details in the inspection report should be kept confidential, it can make such a request based on the Practice Direction on Confidential Filings.

Thank You

Questions?

CDM Forecast

2.3.1.3 CDM Adjustment for the Load Forecast for Distributors

- Distributors are still able to propose a manual adjustment to its load forecast to account for known conservation activity
- However, with cancellation of the CFF, distributors must ensure that sufficient supporting evidence has been provided
- The OEB intends to provide more direction regarding load forecasting treatment for savings from the 2021-2024 CDM Framework in a future update to the CDM Guidelines

Filing Requirement Update - LRAMVA

2.4.6.1 Lost Revenue Adjustment Mechanism Variance Account

- Distributors will continue to have access to the LRAMVA related to CFF programs
 - Minister's directive extended some in-service deadlines for CFF projects to December 31, 2021, due to delays caused by COVID-19 emergency; savings from these projects will be LRAM-eligible

Filing Requirement Update - LRAMVA

- As part of 2022 rate applications, distributors should strive to dispose of all CFF-related LRAMVA balances if possible
 - Distributors must use version 5 of LRAMVA Workform
 - Energy and/or demand related savings in the LRAMVA must be supported by:
 - Participation and Cost (P&C) Reports (2018-2019 savings)
 - Detailed project savings files (CDM-IS reports) and/or
 - Final Verified Results Reports (2015-2017) as applicable
- Distributors should ensure that evidence to support disposition of LRAMVA balances (e.g. project savings files) does not include personal information unless filed in accordance with rule 9A of the OEB's Rules of Practice and Procedure.

Filing Requirement Update – LRAMVA

- If a distributor seeks to claim lost revenues related to program savings to December 31, 2020:
 - **CFF related program savings**
 - explanation must be provided as to how savings have been estimated based on available data, and rationale to justify eligibility of program savings
 - e.g. persisting savings into 2020 that are not reported on P&C Report, CFF wind-down project savings
 - **Other programs delivered by distributor**
 - explanation and rationale should be provided to justify the eligibility of additional program savings
 - e.g. these may include interim framework programs delivered through the Local Program Fund, but must be adequately supported in the application

Filing Requirement Update – LRAMVA

- The OEB intends to provide more direction regarding lost revenues related to the 2021-2024 CDM Framework in a future update to the CDM Guidelines



Thank You

Questions?

Refreshment Break



2022 Cost of Service Applications Orientation Session

Appendices and Models

July 14, 2021



Evolution of Appendices and Models

- Every year, changes are made to the Excel-based spreadsheets (Chapter 2 appendices, models, workforms) to align with:
 - Changes in Legislation
 - Changed in new OEB policies, handbooks, reports, guidelines or Codes
 - Changes to the Filing Requirements
 - Primarily Chapter 2 for COS filers
 - Changes in accounting or tax rules
 - Learnings from processing applications
 - Changes in informational needs

Evolution of Appendices and Models

- The appendices are generic in nature to reflect the OEB's Filing Requirements so that LDCs do not have to create them
- Consistency in data presentation facilitates easier and quicker review of many applications by OEB panels, staff, stakeholders
- At the same time, we try to balance the need for information versus the amount of data and the effort to collect and input it
- All models have been updated to reflect revised rate year and current list of LDCs

Changes to Chapter 2 Appendices

- Some modifications/updates made in 2020 and 2021:
 - Modified: Worksheets 2-ZA/B and 2-FA to FC
 - Reminder: There are hidden worksheets related to IFRS and Stranded meters
- Most other sheets have had minor formatting and other changes
- Improve use, inputs and presentation, but do not materially affect calculations

Changes to Chapter 2 Appendices

Reminder: Certain worksheets in the Chapter 2 Appendices file must be updated and refiled during the draft rate order stage to reflect cost of service decision.

- The following tabs in the file are to be updated and then refiled along with the final version of the RRWF
 - Appendix 2-AB – Capital Expenditures
 - Appendix 2-FA, 2-FB, 2-FC – Renewable Generation Connection
 - Appendix 2-H – Other Operating Revenues
 - Appendix 2-JA - OM&A Summary Analysis
 - Appendix 2-K – Employee Costs
 - Appendix 2-M – Regulatory Costs Schedule

Cost of Power – Appendix 2-ZA/B

- Legislative Changes:
 - Effective November 1, 2019, the expanded Ontario Electricity Rebate (OER) replaced the former government's Fair Hydro Plan (in effect from July 1, 2017), which included:
 - a reduction for residential, farm and most small business electricity consumers that was built into the RPP.
 - GA modifier that was applied to certain non-RPP revenue as applicable
 - The built-in reductions and the previous 8% rebate are being replaced by the OER (18.9% rebate)

Cost of Power – Appendix 2-ZA/B

- To assist distributors in forecasting a reasonable amount for cost of power, the OEB has updated Appendix 2-Z to:
 - remove the impact of the Fair Hydro Plan on the RPP revenue calculation
 - apply the rebate of 18.9% into the CoP calculation
- The new appendix has two linked tabs (2-ZA and 2-ZB) and includes all components to calculate the cost of power

Commodity Expense - Appendix 2-ZA

Step 1: Commodity Pricing

Forecasted Commodity Prices		Table 1: Average RPP Supply Cost Summary		non-RPP	RPP
HOEP (\$/MWh)	Load-Weighted Price for RPP Consumers			\$19.25	\$19.25
Global Adjustment (\$/MWh)	Impact of the Global Adjustment			\$85.18	\$85.18
Adjustments (\$/MWh)					(\$0.79)
TOTAL (\$/MWh)	Average Supply Cost for RPP Consumers				\$103.64

Step 2: Commodity Expense

(volumes for the test year is loss adjusted)

Commodity				2022 Test Year						
Customer	Revenue		Expense							
Class Name	UoM	USA #	USA #	Class A Non-RPP Volume**	Class B Non-RPP Volume**	Class B RPP Volume**	Average HOEP	Average RPP Rate	Amount	
	kWh	4006	4705				\$ 0.01925	\$ 0.10364	\$0	
	kWh	4010	4705				\$ 0.01925	\$ 0.10364	\$0	
	kWh	4035	4705				\$ 0.01925	\$ 0.10364	\$0	
	kWh	4010	4705				\$ 0.01925	\$ 0.10364	\$0	
	kWh	4025	4705				\$ 0.01925	\$ 0.10364	\$0	
	kWh	4025	4705				\$ 0.01925	\$ 0.10364	\$0	
	kWh	4025	4705				\$ 0.01925	\$ 0.10364	\$0	
	kWh	4025	4705				\$ 0.01925	\$ 0.10364	\$0	
TOTAL				0	0	0			\$0	

Commodity Expense - Appendix 2-ZA

Class A - non-RPP Global Adjustment				2022			
Customer	Revenue	Expense	kWh Volume		GA/kWh ***	Amount	
	4035	4707				\$0	
	4010	4707				\$0	
	4010	4707				\$0	
			-			\$0	

Class B - non-RPP Global Adjustment				2022					
Customer	Revenue	Expense							Amount
Class Name	UoM	USA #	USA #		Class B Non-RPP Volume			GA Rate/kWh	
	kWh	4006	4707		0			\$ 0.08518	\$0
	kWh	4010	4707		0			\$ 0.08518	\$0
	kWh	4035	4707		0			\$ 0.08518	\$0
	kWh	4010	4707		0			\$ 0.08518	\$0
	kWh	4025	4707		0			\$ 0.08518	\$0
	kWh	4025	4707		0			\$ 0.08518	\$0
	kWh	4025	4707		0			\$ 0.08518	\$0
	kWh	4025	4707		0			\$ 0.08518	\$0
Total Volume					0				
TOTAL									\$0

Cost of Power - Appendix 2-ZB

- Appendix 2-ZB includes all components of the cost of power calculation
- Commodity Expenses and Global Adjustment amounts are linked from Appendix 2-ZA
- Inputs are required for the following components:
 - Transmission Network
 - Transmission Connection
 - Wholesale Market Service
 - Class A CBR
 - RRRP
 - Low Voltage
 - Smart Meter Entity Charge
 - OER

Cost of Power - Appendix 2-ZB

- A summary table, showing all components, will be populated and can be used for presentation purposes
- The OER will only be applied to the RPP proportion of all applicable components

Cost of Power – Appendix 2-ZB

Electricity Commodity	Units	2022 Test Year		RPP		2022 Test Year		non-RPP		Total
		Volume	Rate	\$	Volume	Rate	\$	\$		
Class per Load Forecast				-						
	0	0		-	0		-			
	0	0		-	0		-			
	0	0		-	0		-			
	0	0		-	0		-			
	0	0		-	0		-			
	0	0		-	0		-			
SUB-TOTAL		0		-	0		-			\$ -

Global Adjustment non-RPP	Units	2022 Test Year		RPP		2022 Test Year		non-RPP		Total
		Volume	Rate	\$	Volume	Rate	\$	\$		
Class per Load Forecast				0						
				0						
				0						
				0						
				0						
				0						
				0						
SUB-TOTAL		0		0				-		\$ -

Transmission - Network	Units	2022 Test Year		RPP		2022 Test Year		non-RPP		Total
		Volume	Rate	\$	Volume	Rate	\$	\$		
Class per Load Forecast				-						
				-						
				-						
				-						
				-						
				-						
				-						
SUB-TOTAL				-				-		-

Cost of Power – Appendix 2-ZB

<i>RRRP</i>								
Class per Load Forecast		Volume	Rate	\$	Volume	Rate	\$	Total
				-			-	
				-			-	
				-			-	
				-			-	
				-			-	
				-			-	
				-			-	
				-			-	
SUB-TOTAL				-			-	-

<i>Low Voltage - No TLF adjustment</i>								
Class per Load Forecast		Volume	Rate	\$	Volume	Rate	\$	Total
				0			0	
				0			0	
				0			0	
				0			0	
				0			0	
				0			0	
				0			0	
				0			0	
				0			0	
SUB-TOTAL		0		0			0	0

<i>Smart Meter Entity Charge</i>								
Class per Load Forecast		Customers	Rate	\$	Customers	Rate	\$	Total
				-			0	
				-			0	
				-			0	
SUB-TOTAL				-			0	-
SUB- TOTAL				-			-	-
OER CREDIT				-			0	-
TOTAL				-			-	-

Loss Factor – Appendix 2-R

- Supply Facility Loss Factor is now Calculated
 - LDCs are to complete both wholesale lines
 - A(1) reflects the generation requirement
 - A(2) reflects the energy coming onto the distribution system
- This provides a better estimate of upstream losses

Loss Factor - Appendix 2-R

		Historical Years					5-Year Average
		2016	2017	2018	2019	2020	
Losses Within Distributor's System							
A(1)	"Wholesale" kWh delivered to distributor (higher value)						-
A(2)	"Wholesale" kWh delivered to distributor (lower value)						-
B	Portion of "Wholesale" kWh delivered to distributor for its Large Use Customer(s)						-
C	Net "Wholesale" kWh delivered to distributor = A(2) - B	-	-	-	-	-	-
D	"Retail" kWh delivered by distributor						-
E	Portion of "Retail" kWh delivered by distributor to its Large Use Customer(s)						-
F	Net "Retail" kWh delivered by distributor = D - E	-	-	-	-	-	-
G	Loss Factor in Distributor's system = C / F						
Losses Upstream of Distributor's System							
H	Supply Facilities Loss Factor	-	-	-	-	-	-
Total Losses							
I	Total Loss Factor = G x H						

Proposed REG Investments - Appendix 2-FA to FC

- To ensure a more precise monthly IESO amount is calculated, updates made to incorporate cost of capital parameters for more than one rebasing period.
- Important to use the most recently posted appendices as staff has made non-material changes to some of the formulas that improve functionality.

	2017			2018		
	Total	Direct Benefit 6%	Provincial 94%	Total	Direct Benefit 6%	Provincial 94%
Net Fixed Assets (average)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Incremental OM&A (on-going, N/A for Provincial Recovery)	\$0	\$ -	\$ -	\$0	\$ -	\$ -
Incremental OM&A (start-up, applicable for Provincial Recovery)	\$0	\$ -	\$ -	\$0	\$ -	\$ -
Rebasing Year vs. Test Year	2016	2022				
Allowance for Working Capital (enter rate)			\$ -	\$ -	\$ -	\$ -
Rate Base			\$ -	\$ -	\$ -	\$ -
Rebasing Year vs. Test Year	2016	2022				
Deemed ST Debt	4.00%	4.00%	\$ -	\$ -	\$ -	\$ -
Deemed LT Debt	56.00%	56.00%	\$ -	\$ -	\$ -	\$ -
Deemed Equity	40.00%	40.00%	\$ -	\$ -	\$ -	\$ -
ST Interest (enter rate)			\$ -	\$ -	\$ -	\$ -
LT Interest (enter rate)			\$ -	\$ -	\$ -	\$ -
Return on Equity (enter rate)			\$ -	\$ -	\$ -	\$ -
Cost of Capital Total			\$ -	\$ -	\$ -	\$ -

Changes to Other Models

- Tariff/Bill Impact Model
- Revenue Requirement Workform
- DVA Continuity Schedule
- GA Workform
- Cost Allocation Model
- Lost Revenue Adjustment Mechanism Model
- RTSR
 - No material change from last year; will be updated for most up-to-date UTRs issued

Tariff Schedule and Bill Impacts Model

- Separate model that generates the current and proposed Tariff Schedule and subsequently the Bill Impacts
- Follows a similar format as presented in the IRM model
 - Current Tariff (even if not implemented) is populated by rates database
 - Regulatory charges (prepopulated but unlocked)
 - Additional rate riders (entered by Applicant)
 - Proposed tariff schedule will be generated based on inputs on previous sheets
 - Includes inflationary adjustments to pole attachment charge and Retail Service Charges as placeholders.

Revenue Requirement Workform (RRWF)

- RRWF goes beyond just calculating and verifying the revenue requirement
- Links the revenue requirement to load forecast, cost allocation and rate design information for the test year to:
 - Generate distribution rates
 - Perform revenue reconciliation with the revenue requirement

RRWF Changes

- 2018/19 EDR Process the following changes were made:
 - Sheets 1-9 largely unchanged
 - New table on Sheet 9 summarizes Service and Base revenue requirements and the associated sufficiency/deficiency calculations
 - Added Sheets 10-13
 - Sheet 10 – Summary of customer and load forecast
 - Sheet 11 – Cost Allocation
 - Sheet 12 – Residential Rate Design
 - Sheet 13 – Rate Design and Revenue Reconciliation
 - “Summary of Proposed Changes” now becomes sheet 14
- For the 2019/20 and the 2020/21 EDR process, minor updates were made
- For the 2021/22 EDR process, the residential rate design on Sheet 12 is hidden since the transition to a residential fixed rate design is largely completed

Caveats

- The RRWF, even as a rate generator, does not replace the rate generator and other models that utilities use for their applications.
- It is dependent on the outputs of load forecast, cost allocation, PILs and other models that an applicant uses.
- The RRWF, just like the other models you may use, is very dependent on the input data:
 - Be consistent in the data used, with respect to whether numbers are rounded or not
 - Keep the data updated.

Update to DVA Continuity Schedule

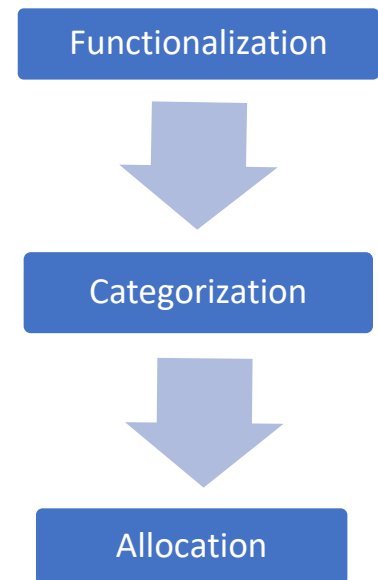
- Group 1 continuity schedule now shows both total Group 1 balances and total Group 1 balances requested for disposition
- Added Account 1508 – Other Regulatory Assets, Sub-account Customer Choice Initiative Costs
- Table in tab 6 for transition customer consumption has been revised to show the periods “July to December” then “January to June”, instead of “January to June” then “July to December”

GA Analysis Workform and Account 1595 Workform

- All applicants are required to complete and submit the GA Analysis Workform for each year that has not previously been approved for disposition (on an interim or final basis) irrespective of whether they are seeking disposition of the Account 1589 or not.
- Account 1595 Workform must be completed when a sub-account is eligible for disposition.
 - Sub-account is eligible for disposition two years after the expiry of the rate rider (i.e. in fourth rate year after the year the rate rider expires).
- Separate webinar on GA Analysis Workform and Account 1595 Workform scheduled for July 20, 2021

Cost Allocation Framework

- Conceptual Framework unchanged
- Customer Classes: worksheet I2
- **Functionalization**
 - Preparing USoA account forecast data
 - Worksheets: I-3 (trial balance forecasts); I-4 (asset sub-accounts where required)
- **Categorization:**
 - Accounts by demand-related, customer-related, partial (min. system)
 - Worksheets: E1; I-5.1 cell D21



Cost Allocation Framework

- **Allocation:**

- Allocator for each account: policy effected in worksheet E-4
- Allocator values (allocation to all classes adds to 100%): worksheet E-2
- Data Input: worksheets I-5, I-6, I-7, I-8, I-9
- Detailed calculations: worksheets O-4, O-5, O-6, O-7
- Main results: worksheets O-1, O-2
- Other results: O-2.1 – 2.5; O-3.1 – 3.6

Functionalization



Categorization



Allocation

Cost Allocation Filings: 2017-2021

- Exhibit 7, then and now:
 - Summary description, highlighting rebalancing (if any)
 - Similar to 2017
 - Distributors are to make best efforts to updated load profiles for all rate classes.
 - If using load profiles from Hydro One informational filing, must explain why they have not updated their load profiles and confirm, with discussion, how they intend to update load profiles for their next COS application.
 - This requirement was introduced with the 2017 rate year and stated: If a distributor is not able to update its load profiles at this time, an explanation should be provided and the distributor should confirm that it intends to put plans in place to update its load profiles the next time a cost allocation model is filed. LDCs are encouraged, but not required to update load profiles for 2022 COS applications.

Cost Allocation Filings: 2017-2021

- RRWF – Sheet 11
 - Provides summary tables for results of cost allocation study and proposed changes/rebalancing
 - Used to be Appendix 2-P, no change in required information
- Appendix 2-Q
 - Information required of host distributor, if no separate class for embedded distributor(s)
- CA Model, then and now
 - Similar to 2017
 - Includes more instructions reflecting experience in other applications
 - For 2018, “sanity checks” added to highlight invalid data entries
 - For 2021, categorization on sheet E1 was revised for high density LDCs to make it consistent with the Board Direction on Cost Allocation Methodology For Electricity Distributors

Intangible Asset Accounts

USoA Account		Equivalent Account in Cost Allocation Model	
1609	Capital Contributions Paid	1810*	Leasehold Improvements
1611	Computer Software	1925	Computer Software
1612	Land Rights	1806	Land Rights

* or other unused 1800 series account with DCP/TCP allocator (e.g. 1825)

Cost Allocation Models: Version summaries

Year	Key Changes
2017	<ul style="list-style-type: none"> Instructions updated, including removal of outdated instructions
2018	<ul style="list-style-type: none"> “Sanity checks” – to ensure that anomalous situations are identified (e.g. $NCP4 \leq 4 \times NCP$)
2020	<ul style="list-style-type: none"> Direct Allocation was updated with respect to the allocation of cost of capital.
2021	<ul style="list-style-type: none"> Categorization on sheet E1 has been revised for high density distributors to make it consistent with the Board Direction on Cost Allocation Methodology

Parting remarks on models

- Models are designed to be flexible and accommodate most situations, but it is not possible to contemplate every utility's circumstances
- Many models and sheets are unlocked, but where they are locked, it is for a reason:
 - Preserve integrity of model calculations
 - Proper operation of a model, particularly if macro-driven, may depend on structure
- Staff will assist if asked
- ratemodels@oeb.ca

Thank you

Ratepayer Groups' Perspective

2021 OEB's Orientation Session for
Electricity Distributors Rebasing

Mark Rubenstein – *Co-counsel to the School Energy Coalition*



School Energy Coalition

- Who are we?
 - Project of the Ontario Education Services Corporation
 - Coalition of seven school board organizations
 - All public school boards are active members
 - 5000 schools with 2 million students
 - Spend \$500 million per year on energy
 - Details posted on the Board's website
- Intervention Principles
 - Always look for the win-win solution
 - Think long-term
 - "Walk softly but carry a big stick"

Electricity Ratepayer Groups

- Active ratepayer groups in LDC applications:
 - Almost Always – VECC, SEC
 - Sometimes – AMPCO, CCC, DRC, Energy Probe, and BOMA
- Occasional participation by non-ratepayer groups – Pollution Probe, Environmental Defence
- Intervenor Representatives: Experienced lawyers and consultants
- Work collaboratively

Why are we all here

- Distribution utilities are a monopoly business
- Regulation as a substitute for competition – Board as market proxy
- Each ratepayer group represents a segment of your customer base
- To review, probe, and test the reasonableness of your application
- To act as the counterweight - the Board needs to hear other perspectives on your application which (generally) seeks to raise captive customers rates
- Huge asymmetry of information between utility and intervenors/Board

Preliminary Work

- Local newspaper, presentations to shareholders (city councils), google searches, your website, etc.
- Previous applications, settlements, and decisions
- Industry trends
- Yearbook data

What we hope to see in your application

- A detailed explanation of your planning process
 - Regulatory application and process, should be intertwined with your business planning process, not separate
 - How do you set priorities and budget? How do you manage resources and demands?
 - How do you consider customer preferences and rate impacts? Show us trade-offs.
 - Show us where benchmarking and comparative data enter into your planning process
- Explain to us the challenges your LDC is facing
 - Show investigation and analysis
 - Thoughtful plan to deal with them
- Metrics and targets. What do you measure success against?
- Show us the value for money of your proposed investments
 - Demonstrate why the investment is worth the added cost
 - Not enough to show each individual investment is appropriate. Explain why in the aggregate they are reasonable.
- Quality over quantity

How do we review an application

- Planning Documents
 - Strategic/business plan, shareholders' agreement/direction, budget guidance documents
 - Financial statements, rating agency reports
 - Distribution System Plan, Asset Condition Assessment
 - Comparative data and benchmarking
 - Rates and revenue requirement trends
 - Past applications. Have you done what you said you were going to do?
- Projects and programs
 - Business cases (Capital and OM&A)
 - Third-party reports and analysis (as required)
 - Variance analysis, expense trends, Chapter 2 Appendices
 - Benchmarking
 - Individual issues – what are they and what is your plan
- The nitty-gritty
 - Continuity schedules, depreciation, revenues (load forecast and offsets), PILS, cost allocation and rate design, D&V accounts, accounting issues

Comparative Data Is Very Important

- Internal and external benchmarking
- Valuable diagnostic tools
 - Identify potential problem areas
 - “Outcomes-based” analysis
- Comparative rates are important
 - Captures all aspects of costs, but not granular enough
 - Doesn’t always account for type of service territory and customer mix
- Rate Base and Capital Spending
 - e.g. Capital Additions/depreciation ratio, unit costs trends, ACA analytics
- OM&A Metrics
 - e.g. OM&A or FTE per customer, unit cost trends, compensation information
- OEB’s Activity and Program Based Benchmarking Initiative
- Other Metrics
 - Components of revenue (e.g. by class)
 - Debt/equity ratio (leveraging)
- You should be using this information internally

Process - Interrogatories

- The purpose of the interrogatory process is to test the evidence
- What are we looking for?
 - Explanations
 - More detail
 - Updated numbers (as applicable)
 - Documents referred to (or omitted)
 - Missing data, steps, or confusion
 - Underlying data
 - Scenarios, “stretch testing” the assumptions and numbers
- If you do not understand the question or cannot provide the information we have asked for, pick up the phone or email

Process - Technical Conferences/Clarification Questions

- Technical Conference
 - Allows for follow-up on interrogatory response
 - The Board is generally not scheduling them anymore for non-Custom IR cases
 - Allows for Applicant to correct the smaller issues
 - Model technical conference is a dialogue, but expected direct questions
 - Virtual Technical Conferences
- Clarification Questions
 - Provided to LDC a few days before settlement conference
 - Clarifying outstanding important issues that are required for settlement
 - Expectation is the answers are put on the record

Process - Settlement Conferences

- Process
 - Exchange of information/dialogue
 - Intervenor caucus
 - Offers back and forth
 - Documenting any agreement
- Offers
 - Issue by issue – revenue requirement and revenue forecast usually first
 - Deficiency based packages (looking for savings)
- Settlement of other issues
 - Asset management plans and longer-term issues
 - Metrics and targets
 - Cost allocation and rate design
 - Deferral and variance accounts

Process - Settlement Conferences

- Ratepayer group point of view
 - Goal is to achieve a fair compromise
 - Result by agreement vs. result by decision
 - Settlement Conference positions vs. hearing/argument positions
 - Uncertainty about the interpretation and application of Board policies and principles
- How to get there
 - Willingness to compromise/listen – on both sides (very important)
 - Hearings can lead to rough justice. Settlements allow for parties to control the outcome versus uncertainty of a Board decision.
 - Settlements allow for creative solutions
- Virtual Settlement Conferences
 - Experience so far has been very positive

Process - Oral Hearings

- Pre-Oral Hearing Questions
 - Technical or data heavy questions provided in advance to limit undertaking requests and bogging hearing down unnecessarily
- Cross-examination
 - We want to challenge the assumptions in the application
 - The real testing of the evidence
- Advice
 - Credibility not easily lost, but also not easily regained
 - Pay close attention to questions from Board members
- Virtual Hearings

Consistent Issues

- Implementing the goals of the RRF – Industry is getting better but still not there:
 - Outcome focus – Metrics and targets
 - Value for money
 - Continuous Improvement
 - Benchmarking
 - Robust planning
- Customer engagement
- Customer growth or decline – how is this impacting your plan?
- Past underinvestment or past significant investment – what is the end state?
- Using an age not condition-centric asset replacement strategy
- Pacing of expenditures throughout the DSP
- Poor accounting and application inconsistencies
 - Make sure your numbers are correct
 - More times you repeat yourself the greater the chance of an inconsistency
 - Spending extra time on the front end to save time on the back end

On the Horizon

- Facilitating innovation
- Disposition of balances in Account 1509
 - Application and interpretation of the OEB's Report: Regulatory Treatment of Impacts Arising from the COVID-19 Emergency
- Pre-filing meetings with OEB Staff (and intervenors)
- Changes to the Filing Requirements
 - 2022 Filers - Pilots for small utilities
 - 2023 Filers - Changes resulting from the Small Utilities Filing Requirements Working Group
 - After that: Lessons learned to be applied to all other utilities

Thank you

Mark Rubenstein – Shepherd Rubenstein
mark@shepherdrubenstein.com



Lunch Break

Role of the Registrar's Office in Processing Applications

July 14, 2021

Introduction

- Role of the Registrar's Office in Processing Applications
- Performance Standards for Processing Applications
- Recent Process Changes

Role of the Registrar's Office in Processing of Rate Applications

Registrar is the delegated decision-maker for front-end procedural matters

Monitoring of Adjudicative Process

Applications Administration

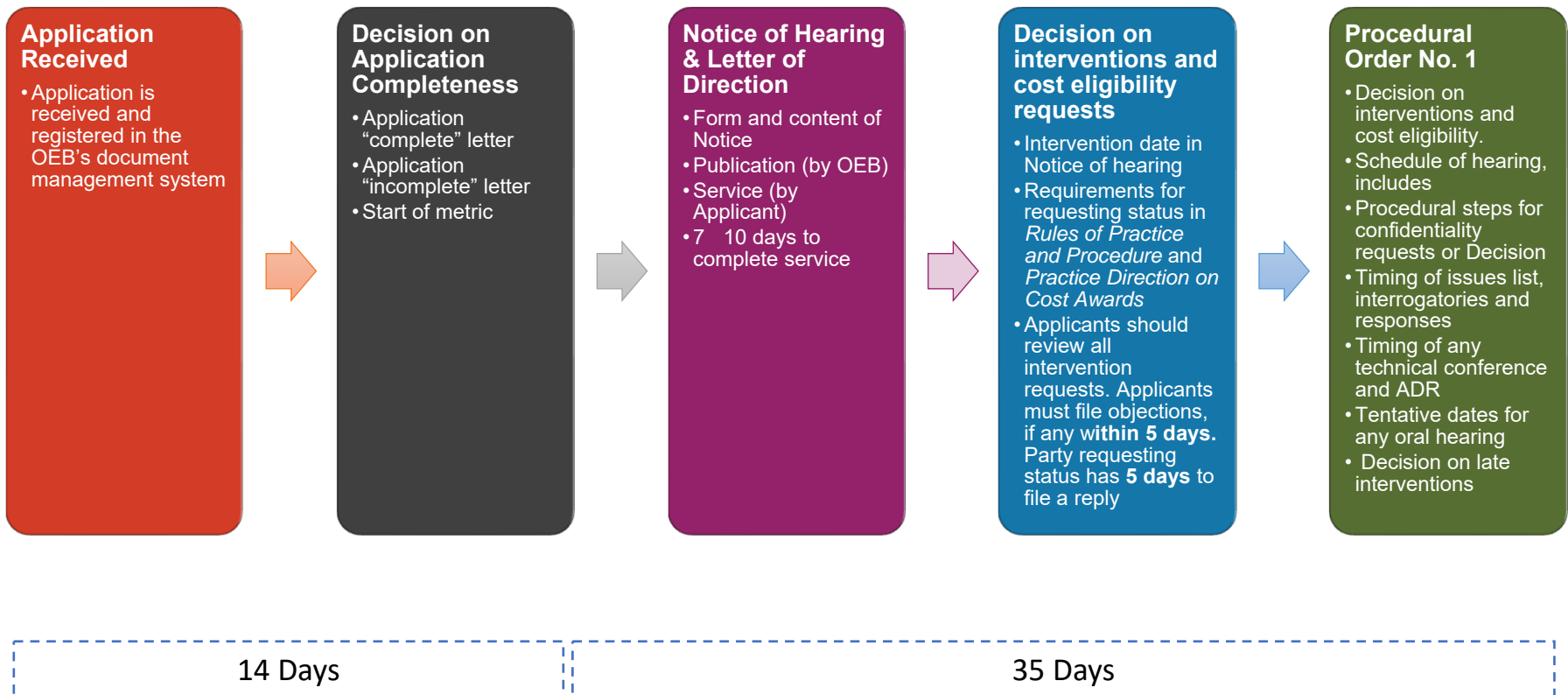
Role of the Registrar's Office in Processing of Rate Applications

- The Registrar is the delegated decision-maker for front-end procedural matters
- The Manager, Adjudicative Process manages the front-end process and monitors the adjudicative process by assigning Hearings Advisors to major applications
 - Hearings Advisors are responsible for supporting the case team with case planning and procedural matters.
 - The Case Managers manage the application and focus on the technical issues in an application
- The Manger, Applications Administration manages the maintenance of adjudicative documents/record of proceeding and assigns Case Administrators to applications.
 - The Case Administrators manage the intake of documents by placing them on the case record and issue documents to parties registered for each proceeding.

Role of the Registrar's Office in Processing of Rate Applications

- As applicants you will be interacting with Case Administrators, Hearings Advisors and Case Managers throughout the hearing process.
 - With Case Administrators, on matters related to the filing of documents and the case record
 - With Hearings Advisors, on matters related to the review, publication and service of the Notice, case scheduling matters, planning of virtual events and related procedural matters.
 - With Case Managers, as your **primary contact** as they oversee all aspects of your application. Therefore, keep the Case Manager informed on any procedural matters and copy them on documents filed in relation to your application.

The Front-End Process



Notice of Hearing

- The Notice of Hearing is an important step in the hearing process.
- The Notice informs ratepayers about the application, how they are affected, how to access the application and how to participate in the OEB's hearing.
- The Notice is published in local newspapers. The OEB arranges publication.
- The Letter of Direction provides the service requirements for the Notice.
- Applicants will be required to serve the Notice on intervenors in the last rate case; email the notice to customers; and post on social media and on website.

**ONTARIO ENERGY BOARD NOTICE TO CUSTOMERS
OF BRANTFORD POWER INC.**

**Brantford Power Inc. has applied to raise its electricity distribution rates.
Learn more. Have your say.**

Brantford Power Inc. has applied to the Ontario Energy Board to raise its electricity distribution rates effective January 1, 2022. If the application is approved as filed, a typical residential customer and a typical general service customer of Brantford Power Inc. would see the following increase.

Residential 750 kWh	\$5.53 per month
General Service less than 50kW (2,000 kWh)	\$10.64 per month

Other customers may also be affected.

THE ONTARIO ENERGY BOARD WILL HOLD A PUBLIC HEARING

The Ontario Energy Board (OEB) will hold a public hearing to consider Brantford Power Inc.'s application. During this hearing, which could be an oral or written hearing, we will question Brantford Power Inc. on its case for a rate increase. We will also hear questions and arguments from individuals that have registered to participate (called intervenors) in the OEB's hearing. At the end of this hearing, the OEB will decide what, if any, rate increase will be allowed.

Distributors such as Brantford Power Inc. typically apply for a full review of their rates every five years. Any rate changes for the years in between are made by applying an OEB-approved formula which is tied to inflation and other factors intended to promote efficiency. You may not get notice of future rate changes made by applying the formula.

The OEB is an independent and impartial public agency. We make decisions that serve the public interest. Our goal is to promote a financially viable and efficient energy sector that provides you with reliable energy services at a reasonable cost.

BE INFORMED AND HAVE YOUR SAY

You have the right to information regarding this application and to be involved in the process.

- You can review Brantford Power Inc.'s application on the OEB's website now
- You can file a letter with your comments, which will be considered during the hearing
- You can become an intervenor. As an intervenor, you can ask questions about Brantford Power Inc.'s application and make arguments on whether the OEB should approve Brantford Power Inc.'s request. Apply by **June 18, 2021** or the hearing will go ahead without you and you will not receive any further notice of the proceeding
- At the end of the process, you can review the OEB's decision and its reasons on our website

LEARN MORE

These proposed charges relate to Brantford Power Inc.'s distribution services. They make up part of the Delivery line - one of the line items on your bill. Our file number for this case is **EB-2021-0009**. To learn more about this hearing, find instructions on how to file a letter with your comments or become an intervenor, or to access any document related to this case, please select the file number **EB-2021-0009** from the list on the OEB website: www.oeb.ca/notice. You can also phone our Public Information Centre at 1-877-632-2727 with any questions.


ORAL VS. WRITTEN HEARINGS

There are two types of OEB hearings - oral and written. Brantford Power Inc. has applied for a written hearing. The OEB is considering this request. If you think an oral hearing is needed, you can write to the OEB to explain why by **June 18, 2021**.

PRIVACY

If you write a letter of comment, your name and the content of your letter will be put on the public record and the OEB website. However, your personal telephone number, home address and email address will be removed. If you are a business, all your information will remain public. If you apply to become an intervenor, all information will be public.

This rate hearing will be held under section 78 of the Ontario Energy Board Act, 1998, S.O. 1998, c.15, Schedule B.



Ontario
Energy
Board

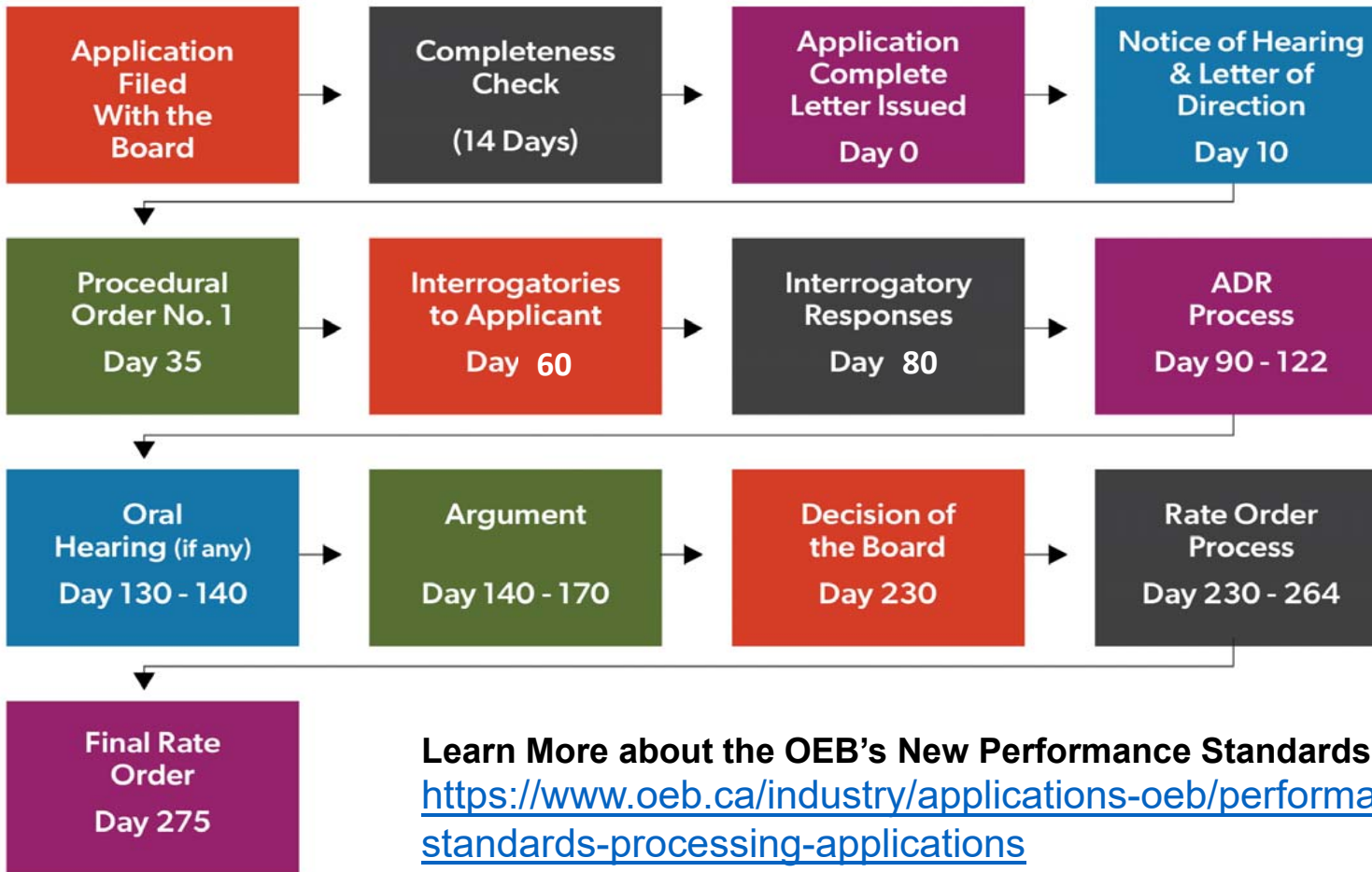
Commission
de l'énergie
de l'Ontario

New Performance Standards

- On April 1, 2019, the OEB adopted new application processing standards
- These standards better reflect time taken to process applications
- The Performance Standards are:

	<u>PO 1</u>	<u>Decision</u>	<u>Total Cycle Time</u>
Cost Based Greater than \$500 mil Revenue Requirement	60	90	355
Cost Based Less than \$500 mil Revenue Requirement	35	60	230
Complex IRM (and others)	35	60	165
Accounting Order	35	60	125

New Processing Standards LT \$500 Million Revenue Requirement



Learn More about the OEB's New Performance Standards:
<https://www.oeb.ca/industry/applications-oeb/performance-standards-processing-applications>

New Performance Standards

- Applications for May 1, 2022 Rates are [expected](#) by August 31, 2021.
- The rate applications will be processed under the “[less than \\$500 million](#)” standard.
- Applications filed by August 31, 2021, should expect:
 - A Notice by late-September 2021
 - A PO 1 by mid-October 2021
 - Issues List, Interrogatories & Responses to Interrogatories completed by mid-November 2021
 - ADR completed by mid-December 2021 / mid-January 2022
 - A decision by April 2022
- Use the [OEB’s Application Planning Tool](#) to plan your case

Recent Process Changes

- Error check including Applicant responses due before interrogatories
- Requirement for applicant to file a certification letter related to confidential information (Chapter 1)
- Issues list to be determined before interrogatories
- Requirement for Applicant to file a letter informing the OEB of the status of the settlement conference
- OEB has published a [Virtual Hearings Guide](#)
- Since 2020 the OEB has moved to digital public records for regulatory proceedings
 - Hard copy filing requirements have been eliminated and electronic documents are now the official, authoritative record in a regulatory proceeding
 - Digital signatures are required to make them official documents

