Meeting Summary

Regulatory Affairs Standing Committee

Meeting Date: October 24, 2016  Time: 9:00 a.m. – 1:30 p.m.
Location: 2300 Yonge Street, 27th Floor, ADR Room

Attendees:

<table>
<thead>
<tr>
<th>Committee Members</th>
<th>OEB</th>
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<tr>
<td>Gia DeJulio, Enersource/EDA</td>
<td>Lynne Anderson, Vice-President</td>
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<td>Colin Macdonald, PowerStream (Regrets)</td>
<td>Kristi Sebalj, Registrar</td>
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<td>Fred Cass, Aird &amp; Berlis</td>
<td>Ted Antonopoulos, Director</td>
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<td>Manuela Ris-Schofield, Tandem Energy Services</td>
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<td>Patrick McMahon, Union Gas</td>
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<td>Joanne Richardson, Hydro One</td>
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<td>Chris Cowell, Entegrus Powerlines</td>
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<td>Mark Rubenstein, Jay Shepherd Professional Corporation</td>
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<td>Indy Butany-DeSouza, Horizon</td>
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<td>Martin Benum, London Hydro</td>
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<td>Brenda Pinke, InnPower (Regrets)</td>
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Meeting Agenda:

1. Welcome – Lynne Anderson
   - Notes from last meeting - Engaging with Stakeholders

2. Rate Handbook – Ted Antonopoulos

3. Consumer Engagement Framework – Kristi Sebalj

4. Miscellaneous Charges for Non-payment – Pascale Duguay
   - Discussion Questions (attached)

5. Other Matters
1. Review of notes from last meeting

Three items were raised to enhance the notes. Under community meetings, the purpose of the meetings should be further clarified. Under Regional Consumer Representatives, it should be clarified that this is an opportunity to have a dialog with utilities and not just to cross examine. In this same section under the sixth bullet, should replace the word “trade” with “negotiate”.

The notes were updated following the meeting and posted on the OEB’s website.

2. Rate Handbook

The group discussed the recently issued Handbook for Utility Rate Applications. The following observations were made.

a) General

- Chapter 5 also needs better clarity. It reads like a policy, handbook and filing requirements all in one.
- Handbook is well written and its length is just right
  - This was also a good refresher on what is required
- A question was raised on whether the checklist will be continued and will it now encompass the Handbook.
  - OEB staff confirmed that this would be so and may also involve to a certain degree a quality review.
- A concern was raised that larger LDCs have more resources available and small LDCs need to hire more resources because an LDC needs to work on the new requirements all year round to get ready for the next application.
  - The cost of implementing the requirements within the handbook was raised and the question of who should pay.
  - Another comment noted that for mid-sized LDCs, the requirements are not overly onerous – the same people are involved in doing it all (application, BP, operations, etc.)
- Custom IR guidance is welcomed
  - Good to apply consistency
  - Prior decisions did not reference each other.
  - But care should be given to being too prescriptive
- Glossary of Terms needs a revenue cap definition
- Opportunities to develop handbooks in other areas such as for Facilities-related applications may be considered
b) Business Plan

- Confirmation that business plan, like the Executive Summary, should be plain language
- A question was raised as to whether there is now a moratorium on asking for corporate BPs.
  - OEB staff noted that because of affiliate transactions it is likely that corporate business plans will still be requested. The panel will decide what is in scope.

c) Customer Engagement (CE)

- A comment was made that utilities still don’t know what the OEB wants for CE
  - Customer fatigue was raised as a concern
  - There are only so many sweet spots during the course of the year, so you can only ask so many times
- Some smaller LDCs spend up to $30k for consultants and this may not be reasonable for customers to pay
  - Staff noted that the OEB Panels on individual cases will consider such costs
  - Another comment noted that for smaller LDCs, it should actually be easy to do CE
  - Yet another comment noted that the PowerStream decision leads one to believe that 3rd party reviews are preferable. Staff noted that 3rd party reviews are not required if there is expertise in-house.
- Another comment was made that some utilities know their customers very well but they read the Handbook and don’t understand what it is saying.
  - Staff noted that it does not help the OEB if the LDC does not explain how it “knows” its customers. The whole idea of knowing one’s customers is not new; just the requirement to bring it into the application process is new.

d) Planning

- One comment noted that given the five year planning horizon of the DSPs, is there more that the OEB wants to look at? E.g. it’s not clear what we look at for the outer years.
  - OEB staff noted that it’s important to assess the performance of plans and to be more thorough. For example, do we understand why things changed over the prior DSP? Pacing and prioritizing is important. OEB staff indicated that there will be more scrutiny of past spending before something goes into rate base.
• A question was raised as to why at the top of page 15 it says “may” need a DSP if a capital budget goes up significantly.
  o An LDC may have a significant project that raises the budget but its only one project that does not really require a DSP.
  o OEB should consider changing this to “will likely”
  o OEB staff noted that we don’t know what drives the increase to the capital budget nor what the applicant will ask for. E.g. if the applicant asks for the entire eligible capital envelope then a DSP would be required. If it asks for only a discrete project, perhaps not.

e) Outcomes

• A comment was made that LDCs continue to struggle with outcomes as they do with customer engagement
  o OEB staff noted that outcomes could be things like what an LDC is targeting over the next five years. E.g. response times, fewer billing errors, addressing bad performing feeders, etc.

• There were no comments on benchmarking

f) Bill Impacts

• OEB staff noted that there is no policy in other sectors so the OEB may look at the 10% mitigation rule going forward

g) MAADs

• Consider a title change to this section to “rate-setting matters for MAADs”
  o Not readily apparent that this is not about the MAADs transactions themselves
  o Staff confirmed that this section in the Rate Handbook relates to the rate application following a MAADs approval.

h) OM&A

• A comment was made that some LDCs do not have information on OM&A programs.
  o But another comment noted that the cost driver appendix is the most informative of all although LDCs use different approaches to doing it because of their different interpretations of what is a driver.

h) Custom IR

• A question was asked as to whether the new policy requirements will prevent the OEB from establishing new deferral or variance accounts
Staff confirmed that the OEB will continue to establish generic ones as needed

- Cost of capital – a question was asked if there will be an appetite to forecast parameters given that no updates will be allowed
  - Staff responded that there is no prohibition to forecasting something within the Custom IR application but it will likely get a lot of scrutiny
- Stretch factors – a question was asked why custom IR filers cannot just use the OEB-established index
  - Staff responded that if this was allowed then the application would not be “customized” to the utility’s specific circumstances.
- Staff confirmed the expectation in the Handbook that there would generally not be annual updates once a Custom IR has been approved

3. Customer Engagement Framework

a) Community Meetings

OEB staff discussed community meetings. Following a few pilots last year, these meetings will now be held for every major application. The meetings are being held between the issuance of the legal notice and Procedural Order No.1. LDCs are being asked to focus their presentations on the application. The group was notified that an afternoon meeting was being tried in Kapuskasing to accommodate two meetings in one day in order to cover more than one service area. In addition, OEB staff may also pilot using a webcast. The approach for Hydro One in 2017 should help inform the best approach for community meetings that need to cover a large geographic area.

The biggest issue that OEB staff has had to deal with are questions that are out of scope of the LDCs application. The group discussed the difficulties facing everyone in terms of attendance. OEB staff also noted that a approach is being developed to organize community meetings for utilities with multiple service areas.

OEB staff also discussed developing more protocols such as when to hire security, whether to post materials prior to a meeting so that people can review them before they attend the meeting, and the approach to the staff reports. Staff noted that utilities may wish to address the report at some point during the application process. They are similar in nature to a letter of comment.

OEB staff also noted that improvements were being made to the consumer side of the OEB’s website such as more explanations of how customers can participate. The notice has been tweaked to include tweeting information. OEB staff is also working on establishing an OEB contact person and a customer guidebook.
b) **Hearings in the Community**

Staff discussed some proposals that are being considered:

1. could be combined with the community meeting
2. oral letter of comment day – in front of decision makers (delegations)
3. actual hearing in community – for specific issues

The group provided comments such as:

- the Ontario Municipal Board takes comments from the public but it is not clear how they have been considered
- customers may not be able to distinguish between a meeting and a hearing or an oral comment day
- new intervenors in the OEB’s established process don’t always understand matters such as relevance, and this may be an issue with oral hearings in the communities
- Board members will need to be prepared to manage these types of hearings that may include matters out of scope of the application
- The average customer may want to cross examine but may not understand the process. A suggestion was made to link to the customer representative idea to avoid mixed messages between customer participation and the formal customer rep notion. Staff responded that this is being considered but that the OEB needs to prioritize the manner in which it roles out these initiatives.
- Another concern was raised with respect to restricting delegations; e.g. election time could lead to inappropriate delegations. Staff noted that the OEB does not restrict matters that are in scope but will deal with issues as they arise.

4. **Miscellaneous Charges for Non-Payment**

OEB staff discussed that this initiative is in the early stages. There is no terms of reference and that the discussion at this RASC meeting is intended to get early input.

In late 2015, the OEB communicated that it will commence a policy review of miscellaneous charges and that it will conduct this review in stages. For example, another working group is dealing with wireline pole attachments.

Non-payment of account charges were selected as the second item to be reviewed because these charges have been in place since 2006 and the plan is for the new policy to apply to all distributors, including natural gas. The scope of the proceeding is to determine whether an update to the methodology is needed.

OEB staff asked some high level questions and identified certain issues such as:
• Is there consistency in the application of non-payment of account service charges? For example, do some distributors include them in their standard level of services while others do not? What is considered to be a standard level of service?
• Is a fully allocated costing methodology appropriate? What other approach(es) should the OEB consider? Are there other factors that the OEB should consider for setting non-payment account charges?
• There is a wide variance in what some distributors charge for some of the non-payment of account service charges. What are the drivers for these variances?
• Should default values be established or should the charges be distributor specific?
• What costs should be included as part of the overarching costing methodology?
• How often should the non-payment of account service charges be recalibrated? What mechanism should the OEB consider in order to keep these charges up to date?
• Are the efforts made by distributors prior to disconnection consistent across distributors? For example, when it comes to the installation of a load control device, do all distributors offer this as an option to customers prior to a full disconnection?
• Should the same approach be taken for both electricity and natural gas? Are there differences in the sectors that need to be considered

The group provided several comments such as:

• May want to make it utility-specific in terms of costs to be incurred
• Variation in charges is driven by different processes. Entegrus uses a lot of calling to remind customers.
• Should there be a general form of subsidy?
• Should there be a consideration that some of the related charges (connect, disconnect) are not recoverable?
• Should there be fully allocated costing? Future costs may be higher than historical.
• Late payment charge revenues have increased. The OEB should look at all specific service charges. As for non-payment of account, it is difficult to distinguish between those that make it a habit of paying late and those that are truly having financial issues.
• Policy on when disconnection notices go out is not consistent
• Generators and transmitters are 100% protected; LDCs carry all the risk
• The OEB should consult first on principles before going out to a working group
• In terms of using default values vs a methodology, comments were provided that whichever method is employed, it should be transparent. i.e. show debits and credits. If there are subsidies, this should be transparent.
• It was noted that there are differences between electricity and natural gas. There are no load limiters for natural gas. Different approaches may be needed for contact and non contract customers.
• A comment was made that a default value is better for consistency across the province.

5. Other Matters

Staffing changes within the Applications Division were discussed. Staff also noted that as part of its ongoing review of the application process, application metrics and timelines will be considered.