Meeting Summary

Regulatory Affairs Standing Committee

Meeting Date: February 22, 2017    Time: 12:30 p.m. – 4:00 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>Manuela Ris-Schofield, Tandem Energy Services</td>
<td>Ted Antonopoulos, Director</td>
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<td>Fred Cass, Aird and Berlis</td>
<td>Pascale Duguay, Manager</td>
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<td>Patrick McMahon, Union Gas</td>
<td>Dan Gapic, Manager</td>
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<td>Joanne Richardson, Hydro One</td>
<td>Vince Mazzone, Advisor</td>
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<td>Chris Cowell, Entegrus Powerlines (Regrets)</td>
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<td>Mark Rubenstein, Jay Shepherd Professional Corp</td>
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<td>Indy Butany-DeSouza, Alectra Utilities Corp</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 and Introductions – Lynne Anderson
   • Notes from last meeting - [Engaging with Stakeholders]

2. Community Meetings / Community Hearings – Kristi Sebalj
   • PowerPoint deck

3. Miscellaneous Charges for Retail Services – Pascale Duguay/Vince Mazzone
   • Background and discussion questions

4. Issues with Accounts for Pass-through Charges – Ted Antonopoulos/Dan Gapic
   • PowerPoint deck with background and discussion questions

5. Nominations

6. Other Business
1. Review of notes from last meeting

Three items were raised to enhance the notes:

- In the discussion on the Rate Handbook it was suggested that the OEB’s consideration of developing handbooks in other areas be added to the minutes for the benefit of the next committee.
- Under customer engagement, the comment that panels will consider the treatment of the costs incurred by utilities to undertake engagement should be added to the minutes.
- Under Other Matters, the minutes should reflect the discussion about the OEB potentially reviewing its application metrics and timelines in the future.

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

The committee also discussed the recent Hydro One stakeholder meeting where there did not seem to be clarity on the extent of updates that the OEB would allow under the Custom IR method. Staff clarified that updates which are mechanistic can be considered by the OEB but the wording in the Rate Handbook is intended to convey the OEB’s view that significant updates (those that require formal examination during the term) are not expected.

The Committee also discussed the fact that the planning for multiple community meetings will be tested with the upcoming Hydro One distribution application. Staff was also asked to clarify the manner in which an OEB panel is informed regarding the events at a community meeting. Staff noted that it files a formal report on the record of the application.

2. Community Meetings/Community Hearings

The group discussed developments since the last meeting.

Staff noted that letters of direction now require the following:

- LDCs to tweet, using prescribed language, the rate change and the fact the application was filed if applicant’s have a twitter account.
- LDCs to email customers notice of the application filing for those that have email accounts and appropriate permissions from the account holder to use them for communications that would include emailing a regulatory notice. LDCs must use prescribed language here as well.

Staff also noted that the Process Counsel (now called the OEB Contact Person) is now in place. On an interim basis the position is being filled by Jennifer Lea. While Jennifer is not identified on the website, the OEB has set up internal protocols, beginning with...
one common phone number that goes to the call centre first. Any questions that the OEB’s Public Information Officers cannot answer get forwarded to the Process Counsel.

Staff noted that website updates are very close to being rolled out.

Community Meetings

Staff noted that there have been 16 meetings to date including a couple with multiple meetings (CNPI and Northern Ontario Wires), the first natural gas meeting (NRG), the first teleconference meeting (Atikokan) and the first French designated service area meeting (Ottawa River). The OEB also tested afternoon and evening meetings on the same day (NOW).

Staff noted that attendance has steadily increased which has leveled off to 25 to 45 attendees. Issues are increasingly targeted at the application. Materials are also now standardized and the OEB is exploring options in how best to coordinate with LDCs, such as providing copies of materials that help the LDC develop focussed and consistent material.

OEB staff clarified that the staff report on a community meeting goes on the record within approximately 10 days of the meeting.

The Committee considered options for LDCs with multiple or non-contiguous service areas. Tele town hall meetings have been conducted by Hydro One with success; the key being advance notice which led to good participant numbers. The Committee discussed issues with teleconferences in that some areas may not have the technical capability for webinars.

Other options discussed were for the LDC to propose a plan (based on some pre-scouting work) where the LDC could have a targeted and reasonable combination of live meetings, webinars and simple (computer-less) teleconferences.

Hearings in the Community

Staff noted that it has developed a protocol, which has been directionally approved by the OEB. Staff noted that hearings could take different forms i.e. hearing of certain issues in a case or to hear only delegations.

The Committee discussed how best to move forward and whether it makes sense to hear discreet issues or the entire application? One suggestion made was that the OEB should revisit the local rep option to avoid hearing from angry customers who may voice concerns not related to the application. Another comment noted that the industry spent a lot of money supporting the OEB’s hearing rooms and their technology, so there is no good reason to move away from that. Hockey arenas won’t meet all these standards.
Another suggestion supported having hearings in the communities as it makes sense for customers to see and have confidence in the process and that it has been done before with some success. However, the OEB should consider doing both formal examination of issues and hearing delegations and to have both transcribed. There may not be much traction on intervenor participation if it’s just option B (delegations). The timing of the hearings will also be key as the OEB may wish to identify issues that should be excluded from settlement.

Another suggestion was that it may be easier to start with the delegations option and then evolve to hearings; but delegations should focus on specific issues.

3. Miscellaneous Charges for Retail Services

Staff noted that the review will now include both electricity and natural gas distributors and will also consider a new service charge in relation to a new requirement (as of July 1, 2017) for LDCs to send a notice of switch letter to low volume customers who have signed a contract with an electricity retailer or gas marketer.

Staff noted that existing charges are not supported by a lot of details. A jurisdictional review was done back in the early 2000’s and it appears charges were adopted based on this.

The Committee discussed whether the OEB should adopt a specific methodology or just pick numbers like it did back in 2002. It was noted that these charges do not amount to a lot of money and that there are fewer and fewer customers that have a contract with retailers and marketers. Therefore, getting into cost allocation exercises would be too expensive and not worth it.

Despite the decline in retail customer numbers, the costs to LDCs for dealing with retailers and marketers have not gone down because the costs underpinning the service are largely fixed costs. Staff noted that Hydro Ottawa came in for an increase to RSCs based on inflation for the period from 2016-2020 and the OEB approved them. Some Committee members agreed that this simple approach makes sense given the dramatic decrease in retail customer numbers; i.e. choose a low cost and “low time” option.

Others had countervailing views. A cost allocation exercise makes sense given that LDCs are doing a cost of service application anyway. A fully allocated cost method should be used. But, the OEB should be judicious as to how it comes up with only a handful of charges.
The Committee also discussed the RCVAs which track variances in dealing with retailers. Costing of data may be an issue because many LDCs have not been using them. The Committee discussed whether or not these accounts should be eliminated.

Some members had a slight preference to retain them as a method to track the costs, but it was noted that formal accounts are not required for a utility to track information.

The Committee also discussed whether there should be uniform charges. It would be more cost effective in establishing them. Three options were discussed to do this; one LDC could do a study, the OEB could establish a working group to review the charges, or the OEB could do a brief jurisdictional review to update the costs given the lack of materiality for these costs. There was support for both the second and third options.

While the same principles would apply to both gas and electricity, the OEB would need to distinguish between the two when it was appropriate and necessary to do so.

The Committee also discussed the driver for the costs such as CIS systems, labour and EBT.

4. Issues with Accounts for Pass-through Charges

The Committee discussed options to address corrections to pass-through approved costs. Some committee members stated that the options in the deck to deal with retroactive rate making were basically to find a way around the rules, rather than changing the rules. Some had the view that the five year interim rates option was too long as final disposition could be long after the costs were incurred enhancing the intergenerational inequity problem.

OEB staff noted that the regulatory process has an inherent lag, typically two years or longer if the disposition threshold is not met.

The option for external audits focussed on commodity-related accounts was discussed. Some members felt that regular audits shouldn’t be required because of the cost and because most external auditors rely on the distributor for guidance in any event. OEB staff noted that it is a basic expectation of the audit profession that auditors train themselves by studying the standards before commencing their work.

Some suggested that an audit after five years is too long a period to be useful.

There was a suggestion to set up a working group to review the issue to determine how to address the issues with variance account balance corrections. The thought was that the working group could be at a high enough level enough to be useful for both the gas and electric utilities. This idea got some traction from the Committee members.
The issue of RPP settlement was discussed. OEB staff asked if the timing of true ups should be mandated. Most distributor representatives indicated they do true ups monthly. Another suggestion was made that LDCs should not be mandated, that distributors should be left to take responsibility for their accounts. If the account balances are wrong, they should live with the results and could lose money due to incorrect balances that were disposed on a final basis. This asymmetrical treatment is appropriate given that LDCs control their books and customers see it as a black box.

There was also discussion about whether it would make more sense to use IESO GA second estimates than the first estimate; the general consensus was that the second estimates may be no more accurate than the first. Staff asked about using the actuals but distributor representatives were concerned with the timing, including the fact that billing cycles would have to change thus requiring changes to CIS systems and working capital.

One member indicated that the design of a model to validate commodity variance accounts is a good idea. The model could be used by distributors as a reasonableness test. OEB staff agreed that this was a good idea, however, where the balances could not be validated, a closer look at the account balances would be needed, and potentially an audit.

The overall consensus was that a working group should be considered and some thought should be given to involving the IESO.

5. Nominations

OEB staff thanked the Committee members for their participation over the past two years. Staff noted that the OEB will be seeking new nominations. There will be no prohibition for someone being nominated again. The OEB will be looking for some new representatives due to industry re-structuring that has occurred but will seek to maintain the mix of utility, intervenor and legal representation.

New approaches to the meetings were discussed including members suggesting agenda topics, more advance notice of meetings, and the option of having round table discussions on hot topics.

6. Other Business

N/A