

## Orientation Session for Electricity Distributors Rebasing in 2020/2021

**July 17, 2019**

### AGENDA

Ontario Energy Board, 2300 Yonge Street, Toronto, Ontario  
West Hearing Room, 25<sup>th</sup> Floor

<b>10:30 Refreshment Break</b>		
9:30	Welcome	Ted Antonopoulos
9:40	Case Management and Contacts	Jane Scott
9:45	Role of the Registrar	Christine Long
<b>10:30 Refreshment Break</b>		
10:45	Filing Requirements -Summary of key changes	Birgit Armstrong/Fiona O'Connell
11:30	Consolidated Distribution System Plans -Summary of changes -Keys to success	Donald Lau
<b>12:00 Lunch Break</b>		
1:00	Intervenors' Perspective -How intervenors assess applications	Mark Rubenstein
1:45	Accounting Matters -Review of filing requirements	Donna Kwan/Alex Share
<b>2:15 Refreshment Break</b>		
2:30	Appendices and Models -Review of key changes: RRWF and Tariff Sheet/Bill Impact Model -Cost Allocation Model -Wireline Pole Attachments Workform	Marc Abramovitz  Andrew Frank Judy But
3:15	CDM and LRAM Changes	Josh Wasyluk
3:45	Questions on other topics and closing comments	
4:00	End	

# Role of the Registrar

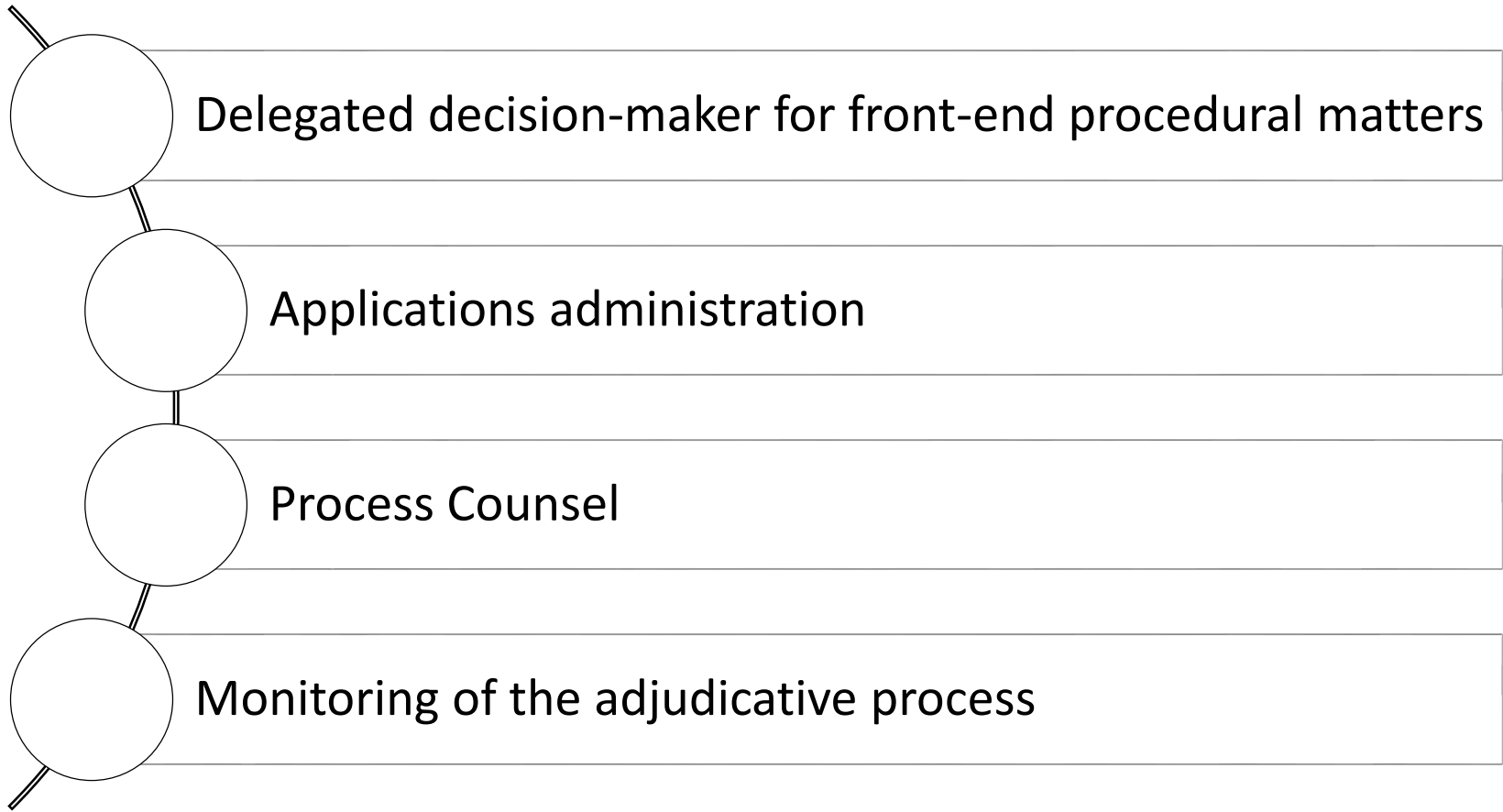
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Christine E. Long  
Registrar

July 17, 2019

# Registrar's Role in Rate Applications

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# Registrar's Role in Rate Applications

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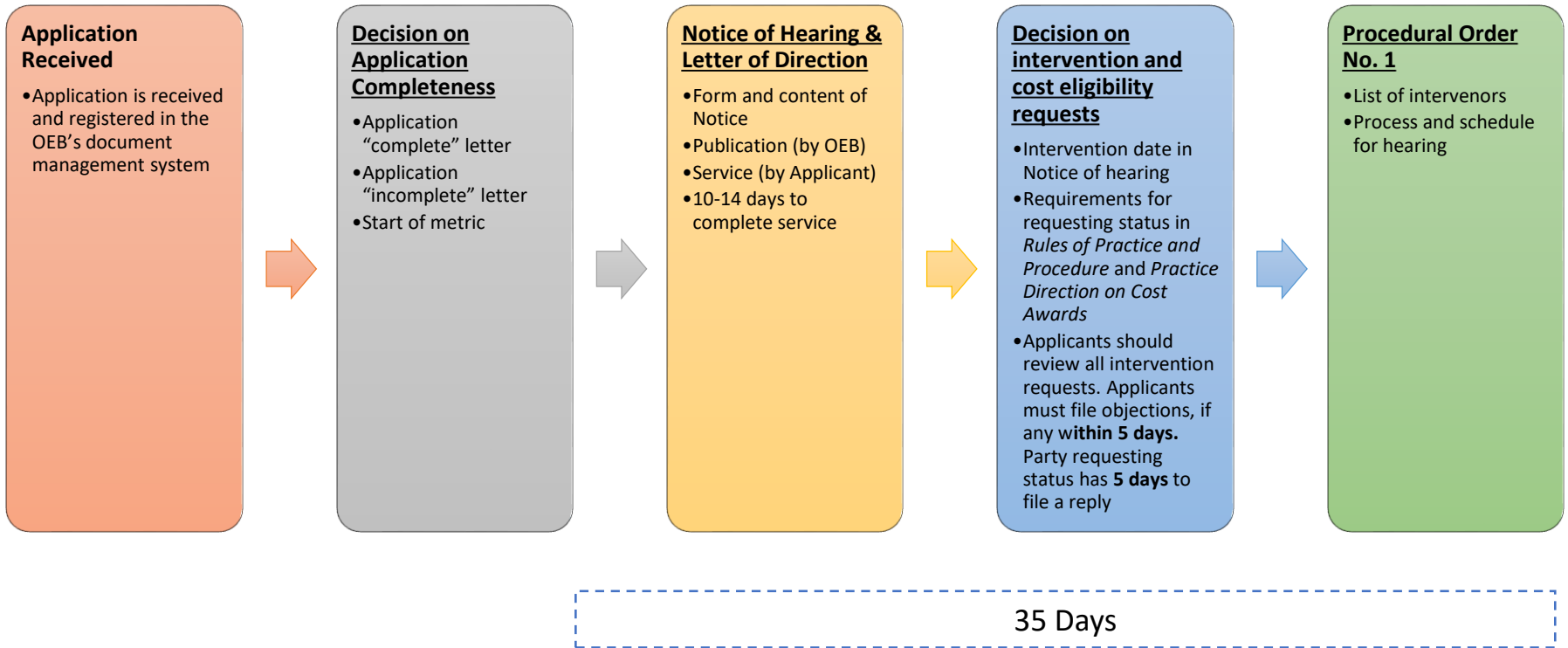
- The Registrar is the delegated decision-maker for front-end procedural matters
- Hearings Advisors
  - The Registrar assigns a Hearings Advisor to each COS case
  - Hearings Advisors assist case managers and the OEB Panel with procedural matters and ensure the timely processing of applications
- Process Counsel
  - The Registrar assists consumers and participants with process related inquiries

# Registrar's Role in Rate Applications

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- Applications Administration
  - The Applications Administration group in the Registrar's Office manages and maintains all adjudicative documents
  - Case Administrators are assigned to each case
  - Applicants should regularly monitor the OEB's webdrawer to ensure the record of proceeding is accurate.
- The Registrar monitors the OEB's adjudicative process to ensure the process is consistent, efficient and streamlined

# Registrar's Role in Rate Applications



# Application Completeness

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- Following the filing of your application, the first step is for the Registrar to make a determination on completeness of the application.
- The Registrar issues an:
  - Application Complete Letter, or
  - Application Incomplete Letter
- Application Completeness is a key milestone – It marks the start of the processing of the application

# Notice of Hearing and Letter of Direction

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- Notice of Hearing
  - Notice is intended to inform consumers about the filing of the rate application
  - Notice is prepared by the Registrar and circulated for the Applicant's review (before it is published)
  - Notice will be published in local newspapers
  - Notice publication is coordinated by the Registrar and the OEB's media agent arranges for publication



# Notice of Hearing and Letter of Direction

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- Letter of Direction is issued with the Notice and provides the service requirements for the Notice.
- Applicant will be required to:
  - Serve Notice on intervenors in previous COS case
  - Post Notice on utility's website
  - Email Notice to customers
  - Transmit Notice via Twitter
  - 14 days to complete service

# Interventions and Cost Eligibility

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- The Notice will provide the last date for requesting intervenor status (10 days from last date of publication)
- The OEB's *Rules of Practice and Procedure* and the *Practice Direction on Cost Awards* provide information on applying for status and cost eligibility.
- Applicants should review intervention requests carefully. Applicants have **5 days** to object to a request and the person asking for intervenor status has **5 days** to file a reply to any objection.

# Procedural Order No. 1

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- Procedural Order No.1 sets out:
  - The Registrar's decision on intervention requests and cost eligibility (Schedule A)
  - (Typical) Case Schedule
    - ❖ Procedural steps for confidentiality requests, if applicable
    - ❖ Timing for filing of interrogatories and interrogatory responses
    - ❖ Timing for technical conference, if any
    - ❖ Timing for settlement conference, if any
    - ❖ Timing for presentation of settlement proposal
    - ❖ Tentative date for oral hearing, if any
  - Following the issuance of PO No. 1, the application is assigned to an OEB Panel.

# New Processing Standards

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- OEB adopted new applications processing standards on April 1, 2019.
- The new standards better reflect time taken to process applications
- The new performance standards will measure three indicators:
  - i. Time elapsed from issuance of completeness letter to Procedural Order No. 1
  - ii. Time elapsed from close of record to the issuance of an OEB decision
  - iii. Total cycle time – from issuance of completeness letter to final decision

# New Processing Standards

- New 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
<b>Cost Based Less than \$500 mil Revenue Requirement</b>	<b>35</b>	<b>60</b>	<b>230</b>
Complex IRM (and others)	35	60	165
Accounting Order	35	60	125

- All 2020 rate applications will be processed under the “less than \$500 million” standard.
- Detailed steps and timing for each standard is available on the OEB’s website.
- New standards for other types of applications are under development.

# Questions...

# Filing Requirements for 2020 Cost of Service Applications

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## Summary of Key Changes

Presented by: Birgit Armstrong and Fiona O'Connell

July 17, 2019

# Introduction

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- Key Changes and Additions since last rebasing
  - Last rebasing year is 2015 for most LDCs rebasing for 2020 rates
  - Changes cover the range 2016-2019
- Key Changes and Additions made recently for 2020 rates
  - As per the Addendum for Chapter 2 issued on July 15, 2019



# Key Changes 2016 - 2019

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- Handbook for Utility Rate Applications issued October 13, 2016
- 2016 Updates:
  - Mandatory Monthly billing
  - Allowance for Working Capital – 7.5%
  - Advanced Capital Module
  - Renewable Energy Generation Investments
  - Cost Allocation - Changes to Street Lighting
  - Rate Design – Transition to fully fixed monthly delivery service charge for residential customers
  - Additional filing regarding Global Adjustment Account

# Key Changes 2016 - 2019 con't

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- 2017 Updates:
  - Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) Report
  - Updated Revenue Requirement Work Form (RRWF)
  - Report of April 14, 2016 “*Defining Ontario’s Typical Electricity Customer*” determined that the typical residential consumption to be used should now be 750 kWh, rather than 800 kWh
  - Late Filing of Cost of Service Application(2.0.5)
    - Requires that late applications filed after the commencement of the rate year for which the application is intended to set rates should be converted to the following rate year

# Key Changes 2016 - 2019 con't

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- 2018 Updates:
  - Pensions and Other Post-Employment Benefits (OPEBs) Consultation
  - Handbook to Electricity and Distributor and Transmitter Consolidations was issued on January 19, 2016
  - Costs of Eligible Investments for the Connection of Qualifying Generation Facilities
  - Materiality thresholds did not change
    - A clarification was added to explain that these thresholds are used to examine material variances in rate base, capital expenditures and OM&A

# Key Changes 2016 - 2019 con't

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- 2019 Updates:
  - Plain-language Summary
  - Completeness Letter
  - Updated Chapter 5 and removal of Distribution System Plan (DSP) related filing requirements from Chapter 2
  - Clarification regarding accounting treatment of Other Revenues, including non-utility revenue and expense
    - Ensure transfer pricing does not result in cross-subsidization
    - Treat microFit charges as other revenues
    - Identify any discrete customer groups that may be materially impacted by changes to other revenues (i.e. microFit)

# Key Changes 2016 - 2019 con't

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- 2019 Updates con't:
  - Removal of accounting guidance for Modified Financial Reporting Standards (MIFRS)
  - Report of the Board, March 22, 2018: *Wireline Pole Attachment Charges*
  - New Appendices: 1595 Work Form; Wireline Pole Attachment Work Form; Cost-of-Power calculation (2-Z)

## Key Changes 2020 – Administrative Documents

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- 2.0.1 Relevant Chapters
  - The OEB posts an updated checklist on its electricity distribution rates web page annually based on these filing requirements.
- 2.1.7 Customer Engagement and Community Meetings
  - Any relevant information in the Filing Requirements has been removed.

# Key Changes 2020 – Rate Base

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- 2.2.1.3 Allowance for Working Capital
  - Replace the link to the OEB report *Regulated Price Plan Prices and the Global Adjustment Modifier for the Period May 1, 2018 to April 30, 2019* with the following link:
    - *Regulated Price Plan Prices and the Global Adjustment Modifier for the Period May 1, 2019 to October 31, 2019*

## Key Changes 2020 – Operating Revenues

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- 2.3.2 Accuracy of Load Forecast and Variance Analyses
  - Removal of year-over-year variances in revenues comparing historical actuals and bridge and test year forecasts
- 2.3.1.3 CDM Adjustment for the Load Forecast for Distributors
  - CDM activities for 2019 and 2020 will be centralized and administered by the IESO
  - Only CDM projects that are subject to contractual agreements entered into by April 30, 2019 should be included in the proposed CDM manual adjustment for 2019 and 2020
- 2.4.6.2 Disposition of the LRAMVA
  - There are new requirements which will be discussed later on today



## Key Changes 2020 – Rate Design

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- 2.8.6 Specific Service Charges - Wireline Pole Attachment Charge
  - Distributors that apply for a specific pole-attachment charge can no longer adopt the previously pre-populated default values for the Power Deduction Factor (15%) and the Maintenance Allocation Factor (48.5%)
  - For such distributors, the Pole Attachment Work Form must be completed with utility-specific costs for these factors
  - Version 2.0 of the Pole Attachment Work Form will be discussed later on today
- 2.8.10 Tariff of Rates and Charges
  - The filing of a stand-alone tariff sheet in Excel format is required

## Key Changes 2020 – Deferral and Variance Accounts

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- 2.9.3.1 Disposition of Global Adjustment Variance – GA Analysis Work Form
- 2.9.3.2 Commodity Accounts Account 1588 and Account 1589 – New Accounting Guidance
- Appendix A: Application of Recoveries in Account 1595
  - There are new requirements which will be discussed in an OEB staff webinar on July 18, 2019 as well as later on today

# Thank you



# Chapter 5

# Filing Requirements for 2020 Applications

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Keys to Success

Donald Lau  
July 17, 2019

# Chapter 5 – Key Changes from 2018

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- Chapter 5 - additions
  - Clarified considerations for Grid Modernization, DERs, innovation, system resilience, and cyber security
  - Added one chapter 5 appendix
  - Emphasized relationship between capital spending and O&M costs
  - Timing of distribution system plan filings for deferred COS
- Chapter 5 - deletions
  - Duplications within Chapter 5 and Rate Handbook removed or condensed
- Chapter 5 - moves
  - Moved relevant Distribution System Plan sections from Ch. 2 to Ch. 5
  - Combined sections related to planning with 3rd parties and performance reporting
  - Reorganized sections to provide better flow for reader in terms of understanding the evidence required

# Chapter 5 – Additions

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- Added information required for high level overview of DSP (section 5.2.1)
  - “Identification of projects related to cost-effective grid modernization, distributed energy resources, and climate change adaptation and how these projects address the goals of the Long-Term Energy Plan.”
- Reinforced the current process in that capital expenditures should be evaluated through risk management (section 5.4.1)
  - “A detailed description of the analytical tools and methods used for risk management and its correlation to the capital expenditure plan. A distributor is responsible for managing its business risk in a manner to achieve its objectives through a comprehensive risk portfolio. These risks could include, but not limited to, system reliability, cyber-security, and climate change adaptation.”

# Chapter 5 – Additions

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- Emphasis on grid modernization (Section 5.4.1)
  - “A distributor’s strategy in taking advantage of opportunities that arise during system planning to implement cost-effective modernization of the distribution system such that it becomes more efficient, reliable, and provide more customer choice. ”
- Emphasis on distributed energy resources (Section 5.4.1)
  - A distributor’s strategy for “The investments necessary to facilitate the integration of distributed generation, distributed energy resources and more complex loads (e.g., customers with self-generation and/or storage capability)”
- Emphasis on innovation (Section 5.4.3)
  - “A distributor should also keep pace with technological changes and integrate cost-effective innovative projects and traditional planning needs such as load growth, asset condition and reliability.”

# Chapter 5 – Additions

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- Emphasis on system resilience to climate and technological change (Section 5.4.3.2)
  - An investment should “Demonstrate good utility practice in reliability planning through designing a resilient distribution system that addresses existing reliability performance concerns and is capable of adapting to future challenges (e.g. grid modernization and climate change)”
- Emphasis on cyber-security expectations (Section 5.4.3.2)
  - “Cyber security is expected to be incorporated into the distributor’s risk management decision making and investment planning to form part of its business plans and DSP”



# Chapter 5 – Additions

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- Chapter 5 appendix
  - Appendix 5-A Metrics
    - Proposed metrics that can be used to quantitatively measure performance
    - Unit cost metrics for capital expenditures and O&M per customer, kilometer of line, and peak capacity
- Emphasized relationship between capital spending and O&M costs (Section 5.4.2)
  - “A distributor is expected to consider the reduction in O&M costs when planning capital projects. A description of the impacts of capital expenditures on O&M must be given for each year or a statement that the capital plans did not impact O&M costs. A distributor must consider the trade-offs between capital and O&M when assessing alternative options to a capital program”

## Chapter 5 – Additions

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- Timing of distribution system plan filings for deferred COS (Section 5.1.2)
  - “A distributor that has requested deferral of its cost of service application and received OEB approval will be notified in the approval letter as to the requirement for and timing of a DSP filing.”

# Chapter 5 – Deletions

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- Duplications within Chapter 5 and Rate Handbook removed or condensed
  - Removed redundant definitions within chapter 5 and rate handbook with references or the glossary
  - Removed paragraphs that are better defined in the rate handbook (integrated planning, long-term planning horizon, and regional planning)
  - Condensed redundant themes within chapter 5 (framework of the DSP, performance measurement, and planning information for capital expenditures)

# Chapter 5 – Moves

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- Moved relevant Distribution System Plan sections from Ch. 2 to Ch. 5
  - Reliability performance metrics SAIDI and SAIFI (Section 2.2.2.8)
  - Efficiencies realized due to smart meters (Section 2.2.2.2)
  - Description of distribution system (Section 2.1.4)
  - Rate funded activities to defer distribution infrastructure (Section 2.2.2.2)
  - Capital expenditure summary (Section 2.2.2.2)
  - Capital contributions made to transmitter (Section 2.2.2.2)

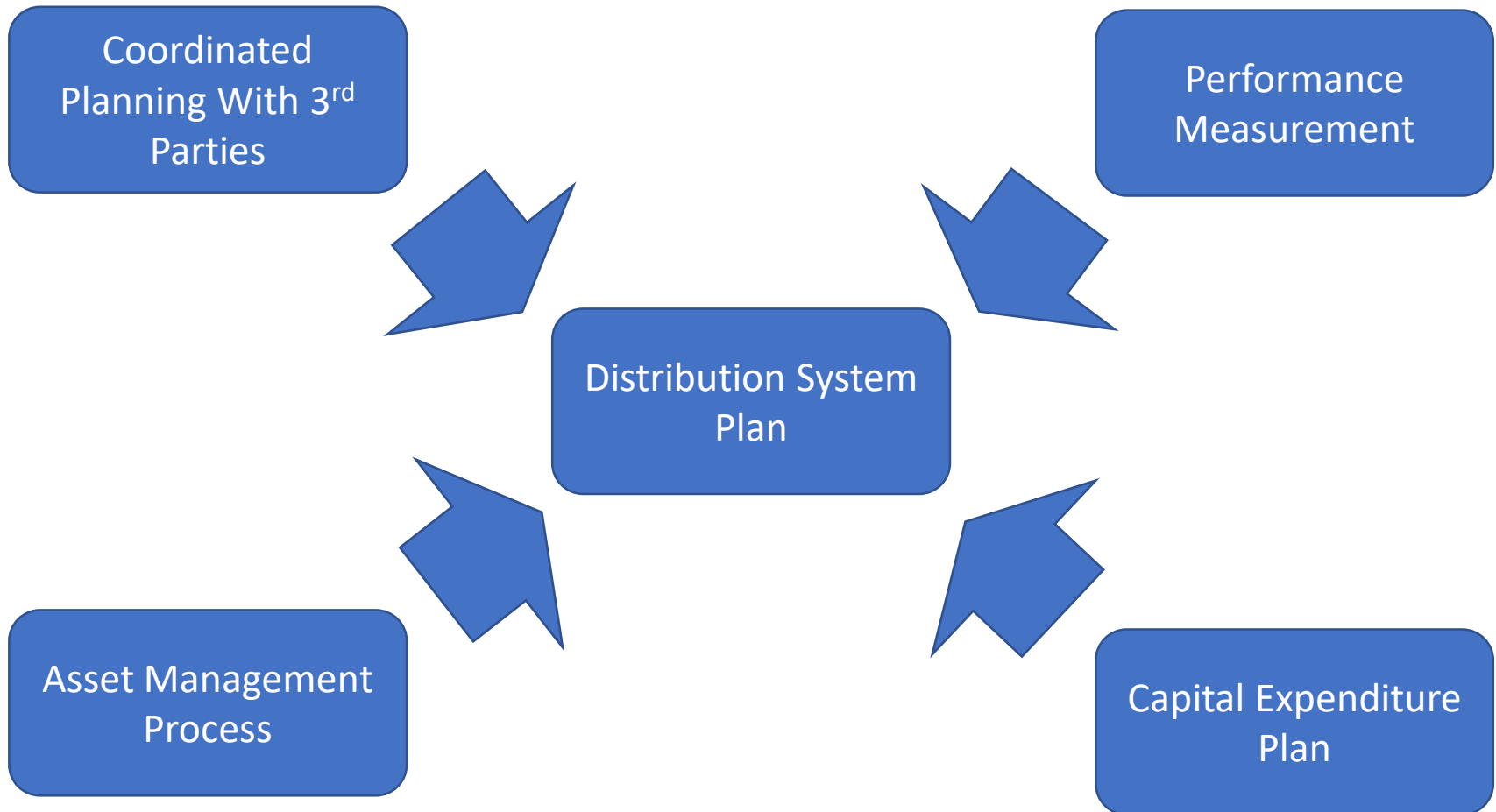
# Chapter 5 – Moves

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- Combined sections related to planning with 3<sup>rd</sup> parties and performance reporting
  - Grouped together sections related to regional planning and coordination with IESO for renewable energy generation into the DSP overview
- Reorganized sections to provide better flow for reader in terms of understanding the evidence
  - Moved “System Capability Assessment for Renewable Energy Generation” from capital expenditure plan to overview of assets managed

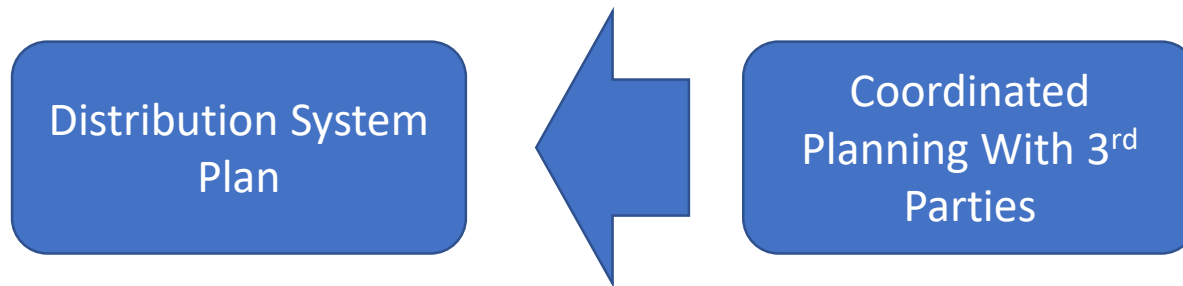
# Chapter 5 – Keys to Success

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# Chapter 5 – Keys to Success

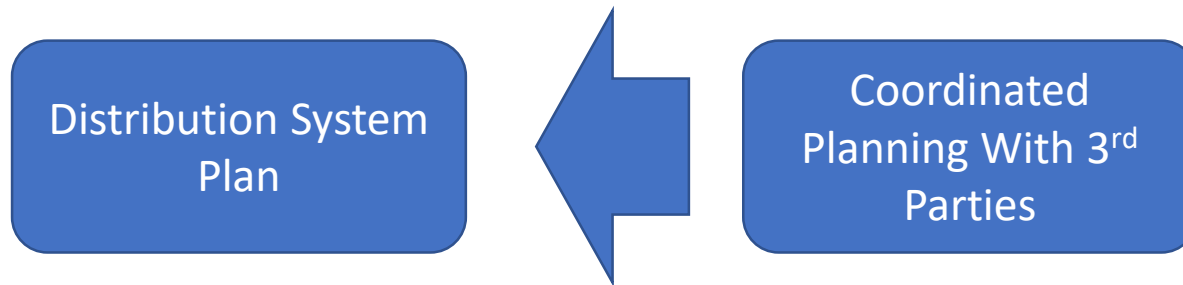
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- Consultation Components
  - Purpose?
  - Distributor initiated or invited?
  - Other participants?
  - Nature and timing of deliverable
  - How the consultation affected the DS Plan
- Examples
  - Regional Planning Process and customer consultation

# Chapter 5 – Keys to Success

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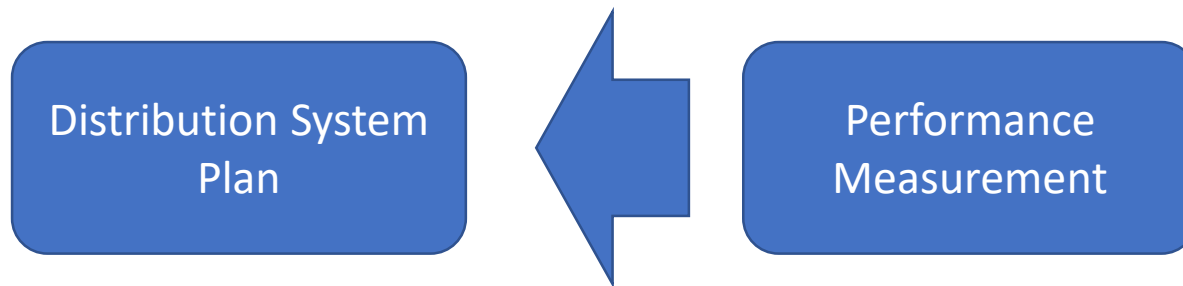


- Successes
  - Utilities have included different methods used to gather customer input
- Area of Improvement
  - Customer consultation is not a satisfaction survey



# Chapter 5 – Keys to Success

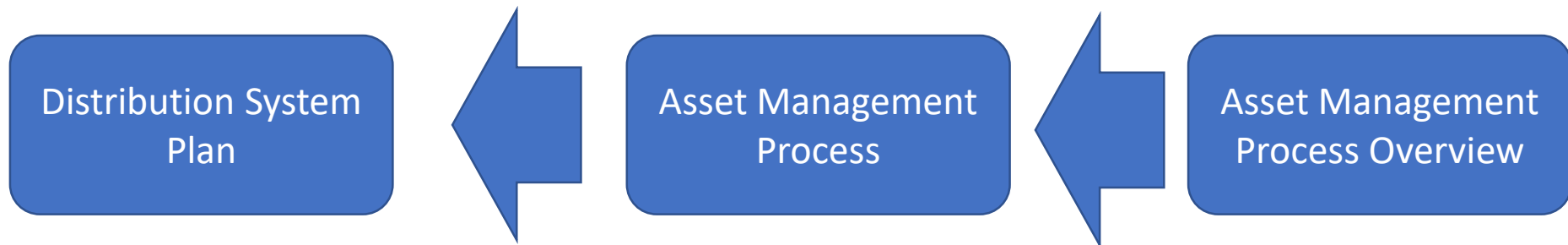
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- Performance Measurement Components
  - Identify performance metrics
  - Performance trend
  - How performance trend affected DS Plan
- Examples
  - Unit cost metrics (Appendix 5-A)
  - Reliability/Power quality
  - Actual vs. planned costs

# Chapter 5 – Keys to Success

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- Process Overview
  - Relationship between asset management objectives and corporate goals
  - Asset management objective prioritization
  - Asset information
  - Input/output to the process

# Chapter 5 – Keys to Success

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- **Assets Managed**
  - Distribution service area overview
  - System configuration
  - Asset profile
  - Asset capacity in relation to planning

# Chapter 5 – Keys to Success

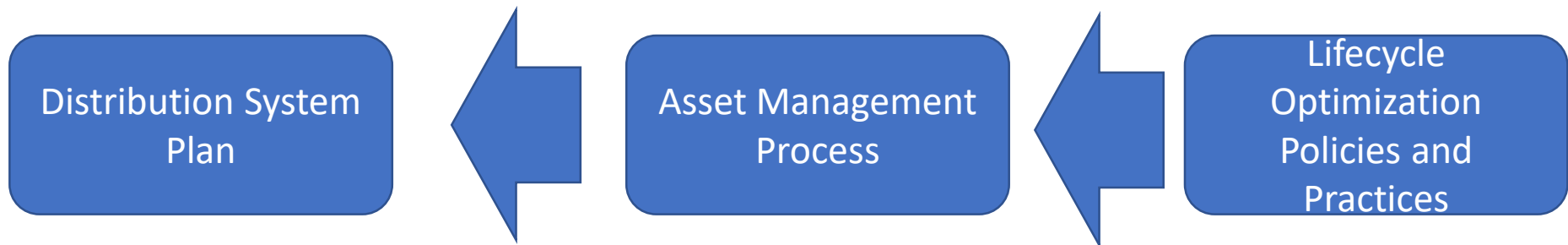
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- Successes
  - Most LDCs are utilizing some kind of asset registry
  - Some LDCs are doing extensive condition assessments
- Area of Improvement
  - Asset age alone is not a strong metric for asset management
  - Provide clear link of asset condition plan and proposed capital expenditures

# Chapter 5 – Keys to Success

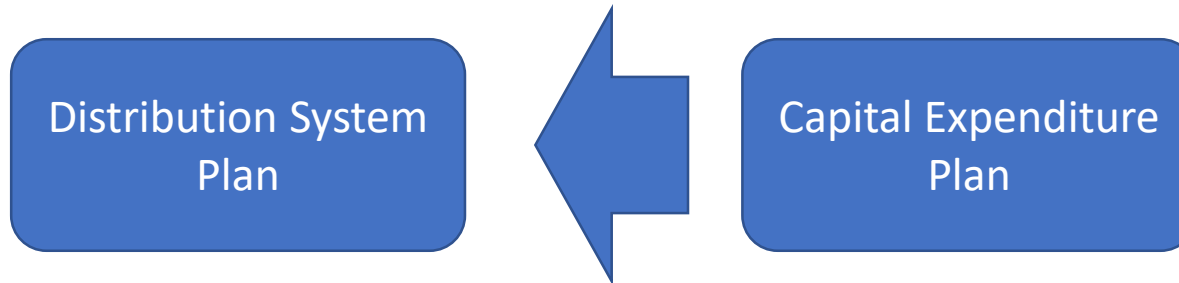
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- Policies and Practices
  - Replacement and refurbishment
    - Maintenance planning criteria
    - Preventative inspection
  - Asset life cycle risk management
    - Risk assessment
    - Select and prioritize capital expenditures
    - Mitigation methods

# Chapter 5 – Keys to Success

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- Capital Expenditure Plan Components
  - Process Overview
  - Capital expenditure summary
  - Justifying capital expenditures

# Chapter 5 – Keys to Success

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Distribution System  
Plan



Capital Expenditure  
Plan



Capital Expenditure  
Process Overview

- Process Overview
  - Planning objectives
  - Alternative system relief
  - Tools and methods
  - Customer engagement
  - Cost-effective modernization of system

# Chapter 5 – Keys to Success

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Distribution System  
Plan



Capital Expenditure  
Plan



Capital Expenditure  
Process Overview

- Successes
  - Utilities have utilized a systematic approach to investment planning
- Area of Improvement
  - Stronger investment selection algorithm (e.g. risk mitigated per dollar spent)



# Chapter 5 – Keys to Success

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Distribution System  
Plan



Capital Expenditure  
Plan



Capital Expenditure  
Summary

- Investment Details
  - How does the investment meet goals?
  - Alternatives (consider CDM)
  - Prioritization
  - Pacing of continuous projects
  - Capital and O&M trade-off
  - How does it align with performance outcomes

# Chapter 5 – Keys to Success

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Distribution System  
Plan



Capital Expenditure  
Plan



Capital Expenditure  
Summary

- Area of Improvement
  - Alternative
  - Greater consideration of capital to OM&A trade-off
  - Project prioritization method not specific
  - Performance level tracking
  - Project benefits need to be quantified
  - Robust link between customer engagement and projects

# Questions/Discussion

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# Ratepayer Groups' Perspective

2019 OEB's Orientation Session for  
Electricity Distributors Rebasing

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



# School Energy Coalition

- Who are we?
  - Coalition of seven school board organizations
  - All 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, Energy Probe, and BOMA
- Intervenor Representatives: Experienced lawyers and consultants
- Work collaboratively

# Why are we all here

- 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

# Preliminary Work

- Local newspaper, presentations to shareholders (city councils), google searches, your website, etc.
- Yearbook data for all years
- Previous applications, results, rates, decisions
- People: Who do we know?
- Customer meetings/feedback



# 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 processes
  - Show us where benchmarking and comparative data enter into your planning process
  - How do you consider customer preferences and rate impacts. Show us trade-offs.
- Explain to us the challenges your LDC is facing
  - Show investigation and analysis
  - Thoughtful plan to deal with them
- Metrics and targets
- 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 investments are appropriate, explain why in the aggregate they are reasonable.

# 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
  - 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

- Valuable diagnostic tools
  - Identify potential problem areas
  - Test against evidence for consistency
  - “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
- Other Metrics
  - Components of revenue (e.g. by class)
  - Debt/equity ratio (leveraging)
  - Rates

# Process - Interrogatories

- “The purpose of the interrogatory process is to test the evidence”
  - Filing Requirements For Electricity Distribution Rate Applications
- What we are looking for?
  - More detail
  - Documents referred to (or omitted), sometimes prior versions
  - Explanations
  - 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
  - The Board is generally not scheduling them anymore for non-Custom IR cases
  - Usually first contact with intervenors
  - Not cross-examination, but tougher than interrogatories
  - Model technical conference is a dialogue
  - Point is to save the Board panel from wasting their time
  - Allows for parties to correct the smaller issues
- 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 plan and longer term issues
  - Metrics and targets
  - Cost allocation and rate design
  - Deferral and variance accounts

# Process - Settlement Conferences

- Ratepayer group point of view
  - Result by agreement vs. result by decision
  - Settlement Conference positions vs. hearing/argument positions
  - Comparative data increasingly influential
  - Uncertainty about the interpretation and application of Board policies and principles
- How to get there
  - Willingness to compromise/listen – on both sides
  - Hearings can lead to rough justice, settlements allow for creative solutions
  - Achieve a known result versus the unknown of a Board decision

# 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



# Consistent Issues

- Implementing the goals of the RRFE
  - Outcome focus – Metrics and targets
  - Value for money
  - Continuous Improvement
  - Benchmarking
  - Robust capital planning requirements
  - Customer Engagement – rates versus reliability
- Customer growth or decline
- Past underinvestment or past significant investment – what is the end state?
- Show us the plan
- Poor accounting and application inconsistencies
  - Make sure your numbers are correct
  - Spending extra time on the front end to save time on the back end

# The Future

- Changes to the OEB as a result of the *Fixing the Hydro Mess Act, 2019*

# Thank you

Mark Rubenstein – Shepherd Rubenstein  
mark@shepherdrubenstein.com



# 2020 Cost of Service Applications Orientation Session

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Accounting Matters – Review of Filing Requirements & Models

Alex Share & Donna Kwan

July 17, 2019

# Agenda

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- Ontario Fair Hydro Plan
- Accounting Standards and Policies
- Pensions & OPEBs
- Retail Service Charges
- Pole Attachment
- Changes to PILs model
- New Accounting Guidance for Accounts 1588 and 1589
- Updates to DVA Continuity Schedule
- Questions

# Ontario Fair Hydro Plan (OFHP)

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- OFHP has been in effect since July 1, 2017
- OEB issued a letter on the Implementation of the OFHP on June 29, 2017
- OEB issued detailed Accounting Guidance on October 31, 2017
  - Bill reductions to RPP customers through RPP prices
  - Application of GA modifier to specified customers
  - Distribution Rate Protection (DRP)
  - First Nations Delivery Credit Program (FNDC)
- No changes for 2020 rate applications - All of the credits provided to customers under OFHP are settled with the IESO, and there is no impact on distributors' expenses, revenues and variance accounts

# Accounting Standards and Policies

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## Transition to IFRS:

- Utilities were required to make capitalization and depreciation policy changes by January 1, 2013 to reflect those embedded in IFRS
  - Most 2020 applicants have previously rebased with these updated capitalization and depreciation policies
  - If any accounting policy changes (including those related to IFRS transition) have been made since the last rebasing application, identify the changes, financial impact, and the cause of the changes
- Utilities must have converted to IFRS effective January 1, 2015
  - Filing Requirements and Chapter 2 Appendices are structured for applicants that adopted IFRS January 1, 2015
  - Chapter 2 appendices related to IFRS conversion are hidden
  - Applicants that have not rebased under the amended capitalization and depreciation policies should consult previous filing requirement for guidance or contact OEB staff.

# Pensions and OPEBs

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September 18, 2017 – OEB issued Report on Regulatory Treatment of Pension and Other Post-employment Benefits (OPEBs) Costs (EB-2015-0040):

- The Report establishes the use of the accrual accounting method 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.
- The Report also provides for the 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.



# Pensions and OPEBs (con't) - Variance Account

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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 this consultation
- Utilities are expected to dispose of the account at their next cost-based application if 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 please refer to Appendices C and D to the OEB Report

# Retail Services

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

- Changes to various retailer service charges (RSCs) effective May 1, 2019.
- Applicants expected to incorporate the new charges in their forecast for retail services revenues (App 2-H) and include the costs of providing retail services in OM&A
- RSVA 1518 and 1548 shall be discontinued after the costs and revenues related to retail services are incorporated in base distribution rates

## Retail Services (con't)

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Some utilities have reflected retail service charges and associated costs in base distribution rates (and discontinued use of RSVA 1518 and 1548) in a prior rate application

- Those utilities are required to establish a new 1508 sub-account to record the incremental retailer services revenue (carrying charges apply)
- Accounting Order included in the Decision and Order issued by the OEB February 14, 2019

# Pole Attachment Revenue Variance Account

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- Updated Wireline Pole Attachment rate of \$43.63/pole effective Jan 1, 2019. Rate to be adjusted by the OEB's inflation factor annually starting Jan 1, 2020.
- LDCs (without a utility-specific approved charge) are to record the excess incremental revenues in a new variance account, Account 1508, sub-account Pole Attachment Revenue Variance (i.e. difference between revenues collected using the currently approved rate embedded in existing distribution rates)
- Carrying charges apply
- Amounts recorded monthly; based on 1/12<sup>th</sup> of the excess revenue amount of the annual pole attachment charge multiplied by the relevant number of poles per month

# Disposition of Pole Attachment and Retail Services 1508 sub-accounts

---

- Once utilities have incorporated the updated retail service charges and pole attachment rates in their base distribution rates, the associated 1508 sub-accounts shall be discontinued.
- Timing issue: Dec 31, 2019 (or Apr 30, 2020) actual balances will be unknown at time of application. OEB may consider final disposition and discontinuance of these accounts in current application if a reasonable forecast of balances can be made up to Dec 31, 2019 (for Jan 1, 2020 filers) or April 30, 2020 (for May 1, 2020 filers).

# Changes to PILs model

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## Minor Changes:

- Prior years: elimination of the eligible capital property rules and introduction of a new class of depreciable property, class 14.1, effective January 1, 2017.
- Updated current Small Business Rate (12.5%), effective Jan 1, 2018
- Expanded the CCA class listing

## Significant Change:

- Accelerated CCA deductions for assets acquired and placed in service after November 20, 2018

# Changes to PILs (con't) – Accelerated CCA

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## Accelerated Investment Incentive:

- Enhanced first-year CCA adjustments first announced in 2018 Fall Economic Statement
- Bill C-97 (Budget Implementation Act), including these tax measures, given Royal Assent on June 21, 2019
- 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

# New Accounting Guidance for Accounts 1588 and 1589

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- New accounting guidance *Accounting Guidance Related to Commodity Pass-Through Accounts 1588 & 1589*, issued February 21, 2019
- The accounting guidance is effective January 1, 2019 and is to be implemented by August 31, 2019.
- Application is for disposition of 2018 DVA balances. Filing requirements for Accounts 1588 and 1589 have generally not changed.
- Distributors are expected to consider the accounting guidance in the context of historical balances that have yet to be disposed on a final basis, including the 2018 balances that may be requested for disposition in this rate application.



# New Accounting Guidance for Accounts 1588 and 1589 (con't) – Disposition Expectations

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1. Interim disposition of historical balances or no disposition requested
  - If balances have been reviewed in the context of the new accounting guidance and utilities are confident that there are no systemic issues with their RPP settlement and related accounting processes, utilities may request final disposition of account balances.
  - If errors are identified errors that materially affect the ending account balances, utilities should adjust their account balances prior to requesting final disposition.
  
2. No disposition of historical balances and concerns noted
  - Apply the accounting guidance to historical and 2018 balances. Adjust the balances as necessary, prior to requesting final disposition

# Update to DVA Continuity Schedule

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- DVA balances from the RRR are populated in the continuity schedules (tabs 2a and 2b) once the utility name is selected and password is entered.
- Generic questions have been added to the information sheet (tab 1) that will affect the results in rest of the model.
- The continuity schedules are separated into Group 1 (tab 2a) and Group 2 (tab 2b); and will open to the appropriate year to start inputting balances.
- New accounts have been added (1508 Pole Attachment, 1508 Retail Service Charge, 1522 P&OPEB) and removed in the continuity schedule (tab 2b)

## Update to DVA Continuity Schedule (con't)

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- Tab 6, table 3b for consumption relating to Class A or transition customers has been revised.
  - Consumption required on a total rate class basis
  - Forecast consumption is required for transition customers and full year Class A customers for use in the billing determinants
- If there were Class A customers and the rate rider for Account 1580 CBR Class B is calculated to be \$0 for, the entire balance in the sub-account (including any portion allocated to transition customers) will be transferred to Account 1580 WMS to be disposed.

# Questions?

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# 2020 Cost of Service Applications Orientation Session

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Appendices and Models

Marc Abramovitz/Andrew Frank/Judy But

July 17, 2019

# Evolution of the Appendices and Models

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- Every year, changes 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
- 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

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- Some modifications/updates made in 2019:
  - Modified: Worksheet 2-I, 2-M, 2-R and 2-Z
  - **Reminder:** There are hidden worksheets related to IFRS
- 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

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**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



# Changes to Chapter 2 Appendices

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- Appendix 2-Z Commodity Expense:
  - Effective July 1, 2017 the Ontario Fair Hydro Plan was implemented.
  - Impact was a reduction to RPP Revenue and cost of power.
  - The OFHP impacted the cost of power, working capital allowance, rate base, and ultimately the service revenue requirement.
  - To assist distributors in forecasting a reasonable amount for the cost of power the OEB has provided Appendix 2-Z.
  - This appendix calculates only the commodity component of the cost of power, not the other components.
  - Distributors are to forecast the other components of cost of power and combine with the commodity expense.

# Changes to Chapter 2 Appendices

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- Appendix 2-Z Commodity Expense, Cont'd:
  - Proportions of Commodity kWh volumes and amounts are broken down into the following components based on the last historical actual volumes:
    - Class A customer commodity cost
    - Class B RPP customer commodity cost
    - Class B non-RPP customers not eligible for GA Modifier
    - Class B non-RPP customer eligible for GA Modifier

# Changes to Chapter 2 Appendices

## Worksheet 2-Z – Commodity Expense

Step 1: **Allocation of Commodity**

2018 Historical Actuals

Customer Class Name	Last Actual kWh's	Class A kWh	Class B kWh
Residential	44,896,468		44,896,468
General Service < 50 kW	23,270,826		23,270,826
General Service 50 to 2999 kW	50,553,990	500,000	50,053,990
General Service 3000-4999 kW	18,344,949	2,500,000	15,844,949
Unmetered Scattered Load	562,067		562,067
Sentinel Lighting	39,303		39,303
Street Lighting	566,049		566,049
other			-
other			-
<b>TOTAL</b>	<b>138,233,652</b>	<b>3,000,000</b>	<b>135,233,652</b>
%	100.00%		100.00%

non-RPP			RPP	Proportions (by Class)		100.00%
non GA mod	GA mod	Total		non-RPP	RPP	
				%	%	
	2,237,918	2,237,918	42,658,550	4.98%	95.02%	
	4,473,332	4,473,332	18,797,494	19.22%	80.78%	
	49,709,096	49,709,096	344,894	98.33%	0.68%	
	15,844,949	15,844,949	0	86.37%	0.00%	
	22,368	22,368	539,699	3.98%	96.02%	
	12,954	12,954	26,349	32.96%	67.04%	
	566,049	566,049	0	100.00%	0.00%	
			0			
			0			
<b>66,155,416</b>	<b>6,711,250</b>	<b>72,866,666</b>	<b>62,366,986</b>			
48.92%	4.96%		46.12%	53.88%	46.12%	100.00%

Step 2: **2020 Forecasted Commodity Prices**

Step 2a: **GA Modifier** (\$/MWh)

non-RPP	
\$	(41.49)

Source: Table 1: RPP Prices and GA Modifier: May 1, 2018 to April 30, 2019\*

Step 2b: **Forecasted Commodity Prices** Table 1: Average RPP Supply Cost Summary\*\*

HOEP (\$/MWh)	Load-Weighted Price for RPP Consumers	
Global Adjustment (\$/MWh)	Impact of the Global Adjustment	
Adjustments (\$/MWh)		
<b>TOTAL (\$/MWh)</b>	<b>Average Supply Cost for RPP Consumers</b>	
<b>\$/kWh</b>		
Percentage shares (%)	non-RPP (GA mod/non-GA mod), RPP	
<b>WEIGHTED AVERAGE PRICE (\$/kWh)</b>	<b>(Sum of I43, J43 and L43)</b>	<b>\$ 0.1008</b>

non-RPP		RPP
non GA mod	GA mod	
\$18.73	\$18.73	
\$102.22	\$60.73	
\$1.00	\$1.00	
<b>\$121.95</b>	<b>\$80.46</b>	<b>\$80.46</b>
<b>\$0.12195</b>	<b>\$0.08046</b>	<b>\$0.08046</b>
48.92%	4.96%	46.12%
<b>\$0.0597</b>	<b>\$0.0040</b>	<b>\$0.0371</b>

# Changes to Chapter 2 Appendices

## Worksheet 2-Z – Commodity Expense

**Step 3: Commodity Expense**  
*(volumes for the bridge and test year are loss adjusted)*

Class A				2019					2020				
Customer	Revenue	Expense	kWh Volume	kW Volume	HOEP Rate/kWh	Avg GA/kW	Amount	kWh Volume	kW Volume	HOEP Rate/kWh	Avg GA/kW	Amount	
General Service 50 to 2999 kW	4035	4705	500,000	114	0.01873	215.00	\$33,875	600,000	122	0.01873	205	\$36,248	
General Service 3000-4999 kW	4010	4705	2,500,000	439	0.01873	195.00	\$132,430	2,800,000	465	0.01873	186	\$138,934	
			3,000,000	553			\$166,305					\$175,182	

Class B						2019			2020		
Customer	UoM	USA #	USA #	Volume	rate (\$/kWh)	Amount	Volume	rate (\$/kWh)	Amount		
Residential	kWh	4006	4705	47,768,829	0.1037	\$4,953,628	43,594,767	\$0.1008	\$4,392,462		
General Service < 50 kW	kWh	4010	4705	22,002,634	0.1037	\$2,281,673	20,079,604	\$0.1008	\$2,023,153		
General Service 50 to 2999 kW	kWh	4035	4705	62,819,812	0.1037	\$6,514,415	57,329,360	\$0.1008	\$5,776,314		
General Service 3000-4999 kW	kWh	4010	4705	17,404,327	0.1037	\$1,804,829	15,883,189	\$0.1008	\$1,600,337		
Unmetered Scattered Load	kWh	4025	4705	587,229	0.1037	\$60,896	535,905	\$0.1008	\$53,996		
Sentinel Lighting	kWh	4025	4705	41,291	0.1037	\$4,282	37,682	\$0.1008	\$3,797		
Street Lighting	kWh	4025	4705	596,240	0.1037	\$61,830	544,129	\$0.1008	\$54,825		
other	kWh	4025	4705	0	0.1037	\$0	0	\$0.1008	\$0		
other	kWh	4025	4705	0	0.1037	\$0	0	\$0.1008	\$0		
<b>TOTAL</b>				<b>151,220,362</b>		<b>\$15,681,552</b>	<b>138,004,636</b>		<b>\$13,904,884</b>		

Total						2019			2020		
Customer	UoM	USA #	USA #	Volume	avg rate (\$/kWh)	Amount	Volume	avg rate (\$/kWh)	Amount		
Residential	kWh	4006	4705	47,768,829	0.1037	\$4,953,628	43,594,767	0.1008	\$4,392,462		
General Service < 50 kW	kWh	4010	4705	22,002,634	0.1037	\$2,281,673	20,079,604	0.1008	\$2,023,153		
General Service 50 to 2999 kW	kWh	4035	4705	63,319,812	0.1034	\$6,548,290	57,929,360	0.1003	\$5,812,562		
General Service 3000-4999 kW	kWh	4010	4705	19,904,327	0.0973	\$1,937,259	18,683,189	0.0931	\$1,739,271		
Unmetered Scattered Load	kWh	4025	4705	587,229	0.1037	\$60,896	535,905	0.1008	\$53,996		
Sentinel Lighting	kWh	4025	4705	41,291	0.1037	\$4,282	37,682	0.1008	\$3,797		
Street Lighting	kWh	4025	4705	596,240	0.1037	\$61,830	544,129	0.1008	\$54,825		
other	kWh	4025	4705	0	0	\$0	0	0.0000	\$0		
other	kWh	4025	4705	0	0	\$0	0	0.0000	\$0		
<b>TOTAL</b>				<b>154,220,362</b>		<b>\$15,847,857</b>	<b>141,404,636</b>		<b>\$14,080,066</b>		

# Changes to Other Models

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- Cost Allocation
- DVA (Continuity Schedule) Workform
- PILs Model
- Tariff/Bill Impact Model
- LRAMVA Workform
- Pole Attachment Workform
- RTSR
  - No material change from last year; will be updated for most up-to-date UTRs issued
- ACM/ICM Model
  - Model has been updated to be more formulaic based so that it runs faster (vs VBA coding).
  - Logic has been added to accommodate the half-year rule

# Tariff Schedule and Bill Impacts Model

---

- Separate model that generates the current and proposed Tariff Schedule and subsequently the Bill Impacts
- Follows the format in the IRM model
  - Current Tariff populated by rates database
  - Regulatory rates (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.

# Revenue Requirement Workform (RRWF)

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- 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

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## 2018/19 EDR Process:

- 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 EDR process, minor updates were made



# Caveats

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- 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.

# Parting remarks on models

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- 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](mailto:ratemodels@oeb.ca)

# Appendix 2-R

## Loss Factors

		Historical Years					5-Year Average
		2014	2015	2016	2017	2018	
<b>Losses Within Distributor's System</b>							
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 = <b>A(2) - B</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 = <b>D - E</b>	-	-	-	-	-	-
G	Loss Factor in Distributor's system = <b>C / F</b>						
<b>Losses Upstream of Distributor's System</b>							
H	Supply Facilities Loss Factor						0.0000
<b>Total Losses</b>							
I	Total Loss Factor = <b>G x H</b>						

# Next Up: Cost Allocation

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# 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
- **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 Policy: Your Last Filing (2015)

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- July 16, 2013 memo addressed allocation by host to embedded distributors
  - If host distributor has a separate embedded class, continue to show a separate line in CA model and Appendix 2-P.
  - If host distributor bills embedded distributors in GS class, host must complete appendix 2-Q. Embedded distributors should be included in data inputs for GS class (customer count, load forecast, revenue, etc.)
- Unmetered Loads (EB-2012-0383) issued December 19, 2013
  - “Updated kW and kWh data should be used to update load profile data for the purpose of the distributor’s next cost allocation filing with the Board...”, i.e. next COS
  - “Conditions of Service should set out in reasonable detail how unmetered load customers are to file updated data with their distributors...”
  - “Board expects distributors to assist unmetered load customers with understanding the regulatory context in which distributors operate...”
  - “Board will include instructions or worksheets for the cost allocation model definitions for account, connection, customer, and device (as they related to unmetered loads)...”

# Cost Allocation Policy: Your Last Filing (2015)

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## Notice of Amendment to a Code, issued May 15, 2014:

- Section 2.4.6 of the Distribution System re: unmetered customers
  - the rights and obligations an unmetered load customer has with respect to the distributor and the rights and obligations a distributor has with respect to an unmetered load customer;
  - the process an unmetered load customer must use to file its updated data with its distributor and what evidence is necessary for the distributor to validate the data;
  - the process the distributor will use to update the bills for an unmetered load customer; and
  - the process the distributor will use to communicate and engage with unmetered load customers in relation to the preparation of cost allocation studies, load profile studies or other rate-related materials that may materially impact unmetered load customers.
- Took effect Jan. 1, 2015
- Deferred for study and future development:
  - Load Displacement Generation (EB-2013-0004)

# CA Policy Review: Street Lighting (EB-2012-0383)

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OEB issued letter on June 12, 2015 outlined new cost allocation policy for street lighting rate class:

- Adopted recommendations from Navigant study, *Cost Allocation to Different Types of Street Lighting Configurations*
- Primary and Line Transformer assets to be allocated using street lighting adjustment factor (SLAF):

$$SLAF = \left( \frac{\text{Residential NCP4}}{\# \text{ of Residential Customers}} \right) / \left( \frac{\text{Street Light NCP4}}{\text{Number of Devices}} \right)$$

- The “adjusted connections” is then used in place of the actual number of connections for the CCP and CCLT allocators:

$$\text{Adjusted Connections} = \frac{\text{Number of Devices}}{SLAF}$$

- Secondary assets will continue to use the number of connections as the allocator
- Street Lighting R/C ratio range tightened.



# Commercial and Industrial Rate Design (EB-2013-0004)

---

- OEB initiated consultation to update rate design for commercial and industrial customers.
- A Staff Report to the Board dated February 21, 2019, outlines proposals for:
  - A division of the General Service < 50 kW rate class into General Service < 10 kW and General Service 10 to 50 kW.
  - A Capacity Reserve Charge for customers with Load Displacement Generation
- The consultation has not concluded, and does not reflect the current policy of the OEB.
  - Until then, the existing policy regarding standby rates remains unchanged:
    - Distributors may apply for standby charges on a final basis. Must be supported by evidence. Affected customers must be notified of proposed changes.

# Policy Impacts on Filings: Summary

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- Host distributors without a separate embedded distributor class must complete Appendix 2-Q
- Distributor should confirm adoption of code amendments to conditions of service in evidence
  - Highlight sections that have changed
- Exhibit 7 should explain how demand data in CA study reflects most recent data obtained from unmetered customers through engagement prior to filing
- Distributors must provide both device and connection data in cost allocation model
  - If both inputs have not been previously provided, provide explanation on how numbers were derived/confirmed
- Tighter Revenue-to-cost ratio range for street lighting class

# Cost Allocation Filings: 2015-2020

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- **Exhibit 7, then and now:**
  - Summary description, highlighting rebalancing (if any)
  - Similar to 2015
  - If using load profiles from Hydro One informational filing, distributor must explain why it has not updated its load profile and confirm, with discussion, how it intends to update its load profiles for its next COS application.
- **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 of embedded distributor(s)
  - Provides sharper focus on embedded distributor(s) than CA Model
- **CA Model, then and now**
  - Similar to V3.2 (2015)
  - An error relating to direct allocation of assets has been identified
    - A fix is in process
  - Incorporates policy changes as a result of EB-2010-0219 and EB-2012-0383
  - Includes more instructions reflecting experience in other applications
  - For 2018, “sanity checks” to highlight invalid data and situations

# Cost Allocation Models: Version summaries

Yr.	V.	Key Changes
2015	3.2	<ul style="list-style-type: none"> <li>Additional instructions – Sheets I4 (Asset Break-out) and I6.1 (Revenue)</li> <li>Correction in Cell C148 of sheet I9 (Direct Allocation) for calculation of cost of capital and associated taxes/PILs on NBV of directed allocated costs</li> </ul>
2016	3.3	<ul style="list-style-type: none"> <li>Street Lighting class cost allocation per new OEB policy               <ul style="list-style-type: none"> <li>Street Lighting Adjustment Factor (SLAF) calculated on sheet I6.2. Cells J22 and J23 divide number of devices by the SLAF for allocation of primary and secondary transformer assets</li> <li>On sheet E3, formulae for CCP and CCLT takes values calculated on I6.2 for SL class</li> <li>On sheet I2, Residential, GS &lt; 50 kW and SL classes are locked for proper calculation of SLAF</li> <li>LDC must include both device and connection data. If not used in previous CA studies, applicant should describe how number of devices and connections were derived/verified</li> </ul> </li> </ul>
2017	3.4	<ul style="list-style-type: none"> <li>Instructions updated, including removal of outdated instructions</li> </ul>
2018	3.5	<ul style="list-style-type: none"> <li>“Sanity checks” – to ensure that anomalous situations are identified (e.g. NCP4 &lt;= 4 x NCP)</li> </ul>

# 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)

# Next Up

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## Pole Attachments



# OEB Pole Attachment Work Form

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- Pole Attachment Workform is available to distributors that wish to apply for a custom, wireline pole attachment charge at time of rebasing
  - Pole Attachment Work Form must be completed using distributor specific inputs and costs from sub-accounts
- Addendum to Section 2.8.6 clarifies that:
  - Distributors cannot adopt previously pre-populated default values for Power Deduction Factor (15%) and Maintenance Allocation Factor (48.5%) that were used in calculating the province-wide charge
  - If distributors choose to adopt the default factors, distributors are still required to complete Table 8 and Table 10-a to substantiate the applicability of the default factors that were used in calculating the provincially approved charge

# Questions

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# CDM and LRAM Changes

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Updates to 2020 CoS  
Filing Requirements

Josh Wasylyk

# Recent Policy Updates

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- Directive to IESO to end the Conservation First Framework
  - On March 20, 2019 the Minister of Energy, Northern Development and Mines issued a directive to the IESO that concluded the Conservation First Framework (CFF).
  - With the discontinuance of the CFF, the OEB understands that electricity distributors will no longer receive any preliminary or final annual verified results for conservation program activities undertaken in later years.
- OEB's June 20, 2019 letter
  - Electricity distributors should continue to have access to a lost revenue adjustment mechanism (LRAM) related to the successful delivery of CFF conservation programs
- CDM and LRAM Updates to Chapter 2 and Chapter 3
  - The OEB has made updates to Chapter 2 and Chapter 3 of the *Filing Requirements for Electricity Distribution Rate Applications* for 2020 rates

# Addendum to Section 2.3.1.3 CDM Adjustment for the Load Forecast

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- CDM activity has transitioned from LDC-led to IESO-centralized
- CFF is winding down
- Changes to the CDM adjustment are appropriate:
  - For CFF-related activity:
    - Only include savings from CDM projects that are subject to a contractual agreement entered into ***between the distributor and a customer by April 30, 2019 under a former CFF program.***
    - Supporting documentation should include corresponding CFF program, project timelines and projected savings.
    - Distributors should rely on the monthly Participation and Cost Reports and any detailed project level data made available by the IESO.
  - For interim framework activity:
    - Savings from programs delivered under the IESO-centralized interim framework (May 1, 2019 to December 31, 2020) are not expected to be included.
    - In the event a distributor includes amounts, must provide supporting rationale and documentation.

# Addendum to Section 2.4.6.2

## Disposition of LRAMVA

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- Distributors should use version 4 of the LRAMVA workform when making LRAMVA requests for remaining amounts related to CFF activity.
- The IESO has made monthly Participation and Cost (P&C) Reports available to electricity distributors from January 1, 2018 to March 31, 2019.
- Distributors can also access the detailed project level data that was submitted to the IESO to form the P&C Reports.
- Between the P&C Reports and detailed project level data, all relevant information should be accessible
- Distributors should include supporting documentation (i.e., P&C Reports and project level data) in excel format
- The OEB will rely on this information as supporting documentation when assessing applications for lost revenues in relation to program savings under the CFF.

# Addendum to Section 2.4.6.2

## Disposition of LRAMVA

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- New guidance that expands on the supporting documentation for lost revenues from street lighting upgrades, including:
  - Information included in load forecast
  - Confirmation that savings are attributable to IESO program
  - Municipality project reports validating upgrades
  - A table, in live excel format, that shows:
    - Monthly breakdown of billed demand over the period of the street light upgrade project
    - Detailed calculations of the change in billed demand due to the street light upgrade project



# Addendum to Section 2.4.6.2

## Disposition of LRAMVA

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- To support the recovery of lost revenues from projects that may not be included in the P&C Reports, such as CHP projects, distributors should provide the following information:
  - The third party evaluation report (typically completed by CLEAResult) that includes savings totals and describes the savings verification methodology
  - Rationale for net-to-gross assumptions used
  - Breakdown of billed demand and detailed lost revenue calculations in live excel format

# Thank you