

Message

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Subject: OEB Orientation Session for 2018 Rebasng Electricity Distributors

Good Afternoon All,

On July 25, 2017, the OEB held an orientation session for 2018 rebasing electricity distributors. The purpose of the orientation session was to discuss the OEB's updates to its filing requirements (*Chapter 2 – Cost of Service*) for electricity distribution rates, the role of the OEB Registrar, The *Fair Hydro Act, 2017*, etc.

The OEB's filing requirements outline the information that the OEB requires from an LDC to file when it makes its rates application under the rate-setting methods set out in the OEB's Handbook for Utility Rate Applications. Below are some highlights from the orientation session:

Chapter 2 – LDC Filing Guidelines

Renewable Generation Facility Funding Request (Section 2.2.2.5)

- The Burden Reduction Act, 2017 Schedule, Section (5) amended section 79.1 (1) which required the OEB to provide rate protection of costs incurred to make an eligible investment in order to connect a qualifying generation facility – amended from 'shall provide' to 'may provide'

Pensions and Other Post-Employment Benefits (OPEBs) Consultation (Section 2.4.3.1)

Below are the OEB's policy updates on OPEBs:

- Filing requirements have been updated to reflect the Report of the OEB on Regulatory Treatment of OPEBs Costs issued May 18, 2017
- Established the use of the accrual accounting method as the default method on which to set rates for pension and OPEB amounts in cost based application
- If the applicant is proposing to include the pension and OPEB expenses based on the cash method – sufficient rationale and evidence is required
- If the applicant is proposing to change the basis on which pension and OPEB expenses are accounted for from its last rebasing application, it must quantify the impact of the transition

Conservation and Demand Management

- Section 2.4.6 has been updated to clarify the DR3 savings should generally not be included in the Lost Revenue Adjustment Mechanism (LRAM) savings unless supported by empirical evidence to be reviewed in a Cost of Service application
- LRAMVA workform (version 2.0) now allows LDCs to input and use more accurate, initiative-level persistence and savings adjustment data provided by the IESO

Rate Mitigation

- New section 2.8.12.1 Residential Rate Design – provides clarification of mitigation requirements for the transition of residential customers towards fully fixed rates
- Section 2.8.12.2 Mitigation Plan Approaches – is now less prescriptive, allowing the applicant more leeway to propose its own approach to mitigation where it is necessary.

Fair Hydro Act

- Bill reductions that are not funded through taxes will largely be achieved through refinancing of a portion of the costs of the Global Adjustment (GA)
- In later years, the cost of this refinancing will be recovered through adjustments to electricity bills called Clean Energy Adjustment

Some of the OEB's new responsibilities include:

- Setting RPP prices to give RPP consumers the benefit of their "fair adjustments" over the coming years (initial reduction and holding increases to rate of inflation)
- Setting the rates by which the cost of the GA refinancing will be recovered
- Approving fees that can be charged by OPG as the Financial Services manager (regulations may provide for the ability to recover costs and expenditures and to earn a return)
- Enforcing compliance with the Fair Hydro Act by electricity distributors and unit sub-meter providers

Note: Idalin McKenzie (Settlements) was also present at the orientation session to answer questions from participants (Board Staff/Members, LDCs and Intervenors) on how the Fair Hydro Act will impact the settlement process.

Preparing Applications – Some Dos and Don'ts From OEB Staff

- Do file a redacted version of confidential material and a non-confidential summary, in keeping with the OEB's Practice Direction on Confidentiality
- Do ensure that the numbering system of exhibits in the application is complete and systematic with no inconsistencies or missing sections
 - Tables should be numbered
 - Evidence referred to one exhibit doesn't exist is different
- Group the responses today according to the issue to which they relate

Intervenor Framework (Regional Intervenors)

- Still a work in progress

Please let me know if you have any questions or concerns.

Cheers,
Phillip

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