Message

From: Phillip Chisulo [/O=EXCHANGELABS/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=C0A420F299224BB0A2296C3739F4160A-PHILLIP CHI]
Sent: 2017-05-03 1:44:19 PM
To: Ahmed Maria [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=cef7a8beebd64317a864f16bdf3e7273-Ahmed Maria]; Tracy Garner [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=4c26c1cb08e2416ba4e6796b5b5c67c8-Tracy Garne]; Megan Lund [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=01668f97f68e44bfbc0ff11762fd61f3-Megan Lund]
CC: Bob Chow [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=743313c227a34d36b583ae787dd6de9e-Bob Chow]; Joe Toneguzzo [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=d88f50f78b0a4052b9caa7d337f6ffdb-Joe Toneguz]; Tam Wagner [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=70ad853871354761a98848de59c4c792-Tam Wagner]
Subject: FW: Regional Planning & Cost Allocation Working Group #3 (EB 2016-0003) - May 8, 2017

fyi

From: Mark Rubenstein [mailto:mark@shepherdrubenstein.com]
Sent: May 03, 2017 1:42 PM
To: 'Veronica Mendes'; 'Andres Mand'; henry.andre@HydroOne.com; Phillip Chisulo; MatthewMcGrath@hydroottawa.com; PatrickBrown@hydroottawa.com; benumm@londonhydro.com; 'David Ferguson'; mdanelon@elkenergy.com; ktaylor@essexpower.ca; rgreey@gmail.com; randy.aiken@sympatico.ca; indy.butany@alectrautilities.com; c.w.clark@sympatico.ca; bharper@econalysis.ca; Bob Chow; Natalia.Gaydukevych@HydroOne.com; Joe Toneguzzo; Wade.Frost@HydroOne.com; michael.sullivan@HydroOne.com; carolyn.russell@HydroOne.com; 'Ricci, Lucy'; eblanchard@blg.com; spollock@blg.com
Cc: 'Jason Craig'; 'Chris Cincar'; 'Andres Mand'; 'Paul Gasparatto'
Subject: RE: Regional Planning & Cost Allocation Working Group #3 (EB 2016-0003) - May 8, 2017

Hi Jason and the rest of the working group,

I will not be able to attend next week's meeting, but thought I would provide some brief comments in advance to the whole working group to consider, specifically on the cost affordably/mitigation options . I have significant concerns with a number of the options presented.

Rate Adder Option (slide 10)

- This proposal is very different from how rates are currently set. It would break from the Board's (almost) consistent view that customers cannot be charged for assets before they go into-service, i.e. are used and useful, and would thus not be just and reasonable. It would create intergeneration equity concerns.
- On slide 10 you mention that this is consistent with the Board's approach to ICM/ACM and LDC funding for smart meters. In some sense you are correct that it is similar to the Smart Meter funding adder that was approved, although that was as a result of a regulatory mandated obligation for LDCs to procure smart meters. Moreover, the amount of the funding adder collected was likely to track to some degree with the number of smart meters that were going in-service at any given time. With respect to ICM/ACM, I am not aware of any approvals where the Board has allowed pre-recovery of the assets going in-service.

'Development' Charge Option (slide 11)

- As I understand the proposal, and as clarified by Jason, this would occur whether there is a mitigation issue or not and only if the new customers are the triggering beneficiary themselves of the upstream tx investment, as opposed to existing customers.

- The key part of this is that the new customers are the ones who benefit from the upgrades, and not existing customers. If this is not the case, and both new and existing customers are essentially benefiting the same, then there is a legal question about the Board's ability to charge them more than existing customers. At first glance, that would be a situation of unjustly discriminatory rate-making. There would be no cause causality.
- Since the proposal is about building up a fund of cash before the assets go in-service, my comments on the same issue for the rate adder proposal also apply.
- From a practical perspective, I am skeptical that this approach would even work. Small LDCs, where upstream transmission upgrades are sufficient enough to cause rate mitigation issues, have very small customer growth. The rates you would have to charge those new customers would be so cost prohibitive as to scare them away. Putting road blocks in the way of customer growth for small distributors is not in existing customers' best interests.
- It is not clear to me why this approach makes sense here, but not for any other capital expenditures that may have to be made to the distribution. Capital contributions required under the DSC do not include many other "upstream" distribution system costs.

Annual Instalments Option **(slide 12)**

- In some form this seems to be the most appropriate approach.

Next Steps

The presentation indicates the next steps are Staff reports to the Board who will issue/propose TSC/DSC amendments. I am concerned that many of the aspects discussed in the presentation and past Working Group sessions go significantly beyond code amendments. Many of the areas, including the cost affordability issues, are rate issues which will require Board applications and orders. As I mentioned numerous times in past Working Group sessions, I am concerned that there has not been sufficient consideration of how you practically implement many of the core TSC proposals. For example, if the new upstream transmission assets do not require leave to construct approval, when exactly would the cost allocation get reviewed? If one of the beneficiary LDCs is in the middle of a rate plan (IRM or Custom IR) would these new costs trigger an adjustment? If there is no leave to construct, and multiple LDCs are beneficiaries of the asset, will the prudence of the solution be decided in multiple proceedings individually (each of the LDC's rate applications when they seek to put the capital contribution into rate base)? How will the allocation of the benefits be approved? The code amendments will have material impacts on LDCs and their customers, and the Board needs to seriously consider how to practically implement them. So far, that does not appear to be an area of focus for the Working Group. All four of the cost affordability options have little to do with code amendments, yet there seems to be no follow-up process set out about how interested parties can comment on those proposals and how they should be implemented.

Mark

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From: Veronica Mendes [mailto:Veronica.Mendes@oeb.ca]
Sent: April 25, 2017 11:40 AM
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Cc: Jason Craig; Chris Cincar; Andres Mand; Paul Gasparatto
Subject: Regional Planning & Cost Allocation Working Group #3 (EB 2016-0003) - May 8, 2017

Good morning all.

As indicated in the email invite sent out yesterday attached is the presentation for your comments.
Please don't circulate it outside your organizations at this time.

Please strive to forward any comments to **Jason Craig & Chris Cincar by May 3rd, 2017** so that they could consider them for the May 8th meeting.

Thank you.

Veronica Mendes

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Please note that my email address has now changed to veronica.mendes@oeb.ca please update your address book accordingly. Thank you.

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