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By Email and RESS

June 10, 2016

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Re: Motion to review and vary pole attachment rate charged by Hydro One Networks Inc. (EB-2015-0141) - SIA Final Argument

Dear Ms. Walli,

Please find attached the Final Argument of the Sustainable Infrastructure Alliance of Ontario (the "SIA") in the above noted proceeding.

Sincerely,

[original signed by]

Dionisio Rivera

EB-2015-0141

**IN THE MATTER OF the Ontario Energy Board Act, 1998,
S.O. 1998, c. 15, (Schedule B);**

**AND IN THE MATTER OF a motion by Rogers Communications
Partnership et al. to review and vary Decision EB-2013-0416 /
EB-2014-0247 as it relates to the Specific Charge for Cable and Telecom
Companies Access to the Power Poles charged by
Hydro One Networks Inc.**

**Final Argument on behalf of the
Sustainable Infrastructure Alliance of Ontario**

Overview

On April 13, 2015, a number of cable and telecommunications companies ("Carriers") filed a motion with the OEB to review and vary the Ontario Energy Board's ("OEB") March 12, 2015 Hydro One ("HONI") distribution rate decision. Specifically, the Carriers have requested to vary the pole attachment rate charged by HONI to third party communication attachers.

While the OEB's original March 12, 2015 Decision approved pole attachment rates of \$37.05, \$37.42, and \$37.80 in 2015, 2016 and 2017 respectively, in a subsequent decision in respect of Hydro One's draft rate order the OEB determined that the pole attachment rate will remain as interim at the \$22.35 rate until the Carriers motion challenge to the original Decision is resolved. The OEB reiterated this in its final rate order decision on April 23, 2015. The current charge remains at \$22.35 on an interim basis, pending the outcome of this motion to review and vary.

General Submissions

The Sustainable Infrastructure Alliance ("SIA") has consistently advocated for updates to distributors' service charges to more appropriately reflect cost causality in a number of recent distribution rate applications, and as such is generally supportive of HONI's requested increase to its pole attachment rate in this proceeding. The SIA believes it to be appropriate to set the pole attachment rate such that it fully recovers the costs associated with hosting third party attachments on HONI's distribution poles.

The SIA supports the arguments put forward in HONI's Argument-in-Chief, as well as those made by its fellow intervenors supporting HONI's proposed rates. As such, and to avoid unnecessary duplication, the SIA will only briefly reiterate some of these arguments in its submissions, and where helpful, provide only brief additional observations for the OEB's consideration.

In establishing its position on this issue and making these submissions, the SIA is strongly guided by the OEB's direction in Procedural Order #7, further clarified in Procedural Order #8:

"More generally, the OEB would like to ensure that the record is sufficient to enable the calculation of the Hydro One Pole Access Charge in accordance with the applicable findings

in the Hydro Ottawa decision (e.g., that the charge should be based on historical rather than forecast costs, and on the actual number of attachers per pole rather than the presumed 2.5 attachers per pole). While this panel is not bound by the Hydro Ottawa decision, an understanding of that decision's applicability to Hydro One's circumstances would be helpful."¹

Given this guidance, the SIA is largely in agreement with the position of HONI as articulated in its Argument-in-Chief, and agrees that the values that HONI has calculated are generally in accordance with the methodology approved in Hydro Ottawa's EB-2015-0004 Decision ("Hydro Ottawa Decision"). The main elements of this methodology and their application in establishing a HONI specific pole attachment rate are briefly summarized in the subsections that follow.

The SIA further agrees with the submissions of its fellow intervenors that the setting of the pole attachment rate for HONI in this proceeding should not be constrained (on the upper end) to the values originally approved by the OEB in the EB-2013-0416 proceeding. The motion brought forward by the Carriers allowed for the introduction of new evidence in this proceeding, and the OEB's ongoing guidance (e.g. Hydro Ottawa Decision) on the intended manner of deriving the pole attachment rate by necessity requires that the originally approved pole attachment rates be re-evaluated without constraints.

Forecast vs. Actual Costs:

In the Hydro Ottawa Decision, the OEB confirmed that it will use the actual historic costs as the basis for setting the pole attachment charge.² While the SIA believes that forecast costs are the most appropriate basis for setting rates, given the OEB's guidance on this issue the SIA agrees with HONI that 2014 actual costs should be used in determining the value of the charge, as this is the most recent historical information available prior to the affected rate period. While the SIA does not object to the use of actual 2015 values, it agrees with HONI that given the effective date of this rate, using 2015 actual values in determining a rate to be applied retroactively over the 2015 period would be inappropriate.

¹ Procedural Order #8, page 2.

² Hydro Ottawa Decision, page 9.

Number of Attachments:

In the Hydro Ottawa Decision, the OEB determined that it relies "on the number of attachments per pole specific to Hydro Ottawa" at the end of the affected period.³ The SIA agrees with HONI that the actual number of attachments, calculated by HONI as 1.3, should be used in calculating the pole attachment charge.

Net Embedded Cost:

In the Hydro Ottawa Decision, the OEB approved the use of the year-end net book value in calculating the net embedded cost per pole, with a 5% adjustment to account for power specific assets.⁴ The 5% factor was based on asset arrangements specific to Hydro Ottawa. In this proceeding, HONI has used the 2014 year end net book value in calculating net embedded cost per pole, with a 15% adjustment for power specific assets.⁵ The SIA believes these values to be appropriate.

Vegetation Management Costs:

The main item of dispute in this proceeding, and the one with the most material consequence on the pole attachment rate itself, is the issue of the treatment of vegetation management costs. The SIA is generally supportive of full cost allocation and full cost recovery as concepts in setting service charges, including the pole attachment rate. This approach would require that the vegetation management costs be included in setting the pole attachment charge. Further supporting this position is the fact that the current agreement between HONI and some of the Carriers contemplates that these costs be included⁶, and the fact that the Carriers appear to not be opposed to these costs being recovered by HONI, only that they not be recovered directly as part of the pole attachment rate.⁷

The SIA observes, however, that including the vegetation management costs in the pole attachment charge may appear to be a departure in methodology from that used by other recent distributors who have applied for a variation from the \$22.35 rate. To the SIA's knowledge, the

³ Hydro Ottawa Decision, page 7.

⁴ Hydro Ottawa Decision, page 13-14.

⁵ HONI Argument in Chief, Table 3

⁶ HONI Argument in Chief, page 8.

⁷ HONI Interrogatory #7 to Carriers

pole attachment rates recently approved for use by other distributors (including Hydro Ottawa) do not appear to have incorporated vegetation management costs within their derivation, or at least not to the same magnitude or allocation as those suggested by HONI in this proceeding. This can be seen by contrasting the Pole Maintenance Cost component of the pole attachment rate of several distributors, as shown in the table below, with the costs put forward by HONI in this category being several orders of magnitude higher than all others.

	Original 2005 OEB Decision (RP-2003-0249)	Hydro Ottawa Decision (EB-2015-004) ⁸	Toronto Hydro Pre-filed Evidence (EB-2014-0116) ⁹	Hydro One Proposed (EB-2015-0141) ¹⁰
Pole Maintenance Cost	\$7.51	\$11.89	\$6.09	\$88.56

If this issue of consistency in derivation and application of the methodology were a concern to the OEB, vegetation management may be an element that the OEB may want to consider setting aside in this proceeding, and alternatively examine it as part of its current ongoing generic proceeding concerning pole attachment rates.¹¹

Summary

The SIA has advocated for full costs recovery in setting service charges in a number of recent distribution rate proceedings, and remains supportive of HONI's request to set a pole attachment rate that fully recovers the associated pole attachment costs. As such, the SIA supports HONI's request for an attachment rate of \$70.04 per pole. In the alternative, if the issue of consistency (as between distributors) with regards to the incorporation of vegetation management costs were a concern to the OEB, the SIA submits that the charge of \$41.56 to be appropriate. In this case, the recovery of vegetation management costs should be considered and determined as part of the OEB's ongoing generic proceeding on pole attachment rates.

All of which is respectfully submitted.

⁸ HONI Argument in Chief, Table 3

⁹ EB-2014-0116, Exhibit 8, Tab 2, Schedule 1, Appendix B

¹⁰ HONI Argument in Chief, Table 3

¹¹ EB-2015-0304