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BY EMAIL

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Tyler Kasubeck
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PUC Services Inc. – Contract Managed Services
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Dear Mr. Kasubeck:

**Re: Espanola Regional Hydro Distribution Corporation's 2021 Cost of Service Application – Requested Adjustments and Extension to Filing Deadline
Ontario Energy Board File Number: EB-2020-0020**

This letter is in response to Espanola Regional Hydro Distribution Corporation's (Espanola Hydro) two recent requests dated July 24, 2020 and August 31, 2020.

Scope of Application

Espanola Hydro's request dated July 24, 2020 was for the Ontario Energy Board (OEB) to adopt a modified approach to Espanola Hydro's cost of service (CoS) application in order to limit the scope and reduce the amount of information that needs to be filed. The School Energy Coalition (SEC) filed a letter of comment on July 29, 2020 regarding Espanola Hydro's proposal and Espanola Hydro filed a response to SEC on August 20, 2020.

After considering the merits of Espanola Hydro's proposed approach and SEC's comments, the OEB accepts Espanola Hydro's proposed approach to its CoS application with the exceptions and additional comments discussed below. It will ultimately be the OEB panel hearing the application that will determine if it has the details needed to make a determination on Espanola's rates.

Distribution System Plan (DSP)

Espanola Hydro proposed filing a one-year DSP that will only cover the 2021 forward test year, rather than a full five-year DSP. The OEB accepts this proposal for the 2021 CoS application.

In the 2019 Mergers, Acquisitions, Amalgamations and Divestitures (MAADs) application for North Bay (Espanola) Acquisition Inc., the applicant stated that it would file a “comprehensive five-year consolidated distribution system plan in accordance with the OEB’s requirements” with the 2021 Cost of Service application.¹ The OEB panel for this MAADs application (MAADs panel) noted in its decision that it is a separate matter to determine what costs should be considered in a future rate application and the MAADs panel could not bind a future OEB panel that would hear that rate application. The OEB therefore does not consider Espanola Hydro’s request contrary to the OEB’s MAADs decision.

Given the limited scope of a one-year DSP, the OEB expects that the Advanced Capital Module / Incremental Capital Module will not be available to Espanola Hydro until a comprehensive five-year DSP is filed.

Variance Analysis and Chapter 2 Appendices

Espanola Hydro proposed limiting the variance analysis and information in the Chapter 2 Appendices to only the test year, bridge year and last three historical years. The OEB accepts this approach and will not require Espanola Hydro to file information pertaining to earlier historical years other than information from the last rebasing test year (2012). These details were part of the last rebasing rate application and therefore should be readily available. Espanola Hydro should provide any available information in the Chapter 2 Appendices for 2012 and should provide a variance analysis between the 2012 test year and the current 2021 test year.

Customer Engagement

Espanola Hydro proposed reducing the scope of its customer engagement in order to keep the work in-house and avoid the use of third-party providers. The OEB notes that the filing requirements do not prescribe the specific requirements for how customer engagement should be done, nor is there a requirement to use the services of a third party. Therefore, the OEB leaves it to Espanola Hydro to determine the appropriate scope of its customer engagement. The OEB expects Espanola Hydro’s customer engagement to be commensurate with the nature of its requests in the application.

Due Diligence

In its letter of comment, SEC submitted that Espanola Hydro should be required to file the package of due diligence information that was provided by Espanola Hydro to North

¹ EB-2019-0015, Decision and Order, August 22, 2019, p. 19

Bay Hydro Distribution Limited as part of their merger in 2019. In reply, Espanola Hydro submitted that the OEB does not need to make a determination on the aforementioned information at this time; rather, the matter should be addressed through the discovery process of the application. The OEB agrees with Espanola Hydro. The OEB will not require Espanola Hydro to provide the due diligence information at this time; parties to this proceeding may request such information during the discovery process.

Group 1 and 2 Deferral and Variance Accounts (DVAs)

Espanola Hydro's Group 1 DVAs have not been cleared since its last Incentive Rate-Setting Mechanism application in 2015. Espanola Hydro's Group 2 DVAs have not been cleared since its last CoS application in 2012. The OEB expects Espanola Hydro to bring forth its Group 1 and 2 DVA balances for review and potential disposition in this application.

Timing of Application

Espanola Hydro's request dated August 31, 2020 was for an extension to the date for the filing of its 2021 CoS application. Espanola Hydro requested an extension from August 31, 2020 to December 18, 2020 due to the current COVID-19 pandemic. The OEB grants Espanola Hydro's request for an extension.

This extension does not ensure that a May 1, 2021 effective date will be approved for Espanola Hydro. The effective date for rates will be determined by the OEB panel hearing the application; however, the OEB anticipates that the OEB panel hearing the application will take into consideration any COVID-19 related delays.

Yours truly,

Original Signed By

Christine E. Long
Registrar and Board Secretary

CC: John A.D. Vellone, Borden Ladner Gervais LLP
Donald Rennick, Independent Participant
Wayne McNally, School Energy Coalition
Jay Shepherd, School Energy Coalition
Mark Rubenstein, School Energy Coalition
Mark Garner, Vulnerable Energy Consumers Coalition