

## **Introduction**

- All utilities are expected to meet the Chapter 5 Filing Requirements with respect to their Distribution System Plan (DSP).
- Very Small Utilities (VSU) should describe the processes and practices they utilize to make decisions on their assets.
- Outlined below are some examples of the type of information that could be provided to inform OEB staff / intervenors how VSU's make decisions and to help fulfil the Chapter 5 filing requirements.
- An example of a VSU DSP that utilizes this approach is attached with references to it below.

## **Purpose of the VSU DSP example**

1. To provide a guide for Very Small Utilities (<5,000 customers) in developing their Distribution System Plan.
2. The capability for the Distribution System Plan for Very Small Utilities (DSP for VSU) to be prepared by the utility and not a 3<sup>rd</sup> party.
3. The ability for a VSU to prepare its DSP in a timely and cost-effective manner.
4. A guide for VSU to prepare a DSP to meet the Chapter 5 Filing Requirements and the expectations of Intervenors and OEB Staff.
5. To focus on exceptional items, i.e., what is the problem, why, what is the solution and why is that the best solution.

<b>OEB Chapter 5 Filing Requirements</b>	<b>Information that could be included in a VSU DSP to help meet Chapter 5 Filing Requirements</b>
<p><b>5.0 Introduction</b></p> <p>These Chapter 5 filing requirements set out the relevant information required by the Ontario Energy Board (OEB) in accordance with the renewed regulatory framework (RRF) for electricity and the Handbook for Utility Rate Applications (Handbook) to assess distributor applications involving planned expenditures on distribution systems and general plant. A Distribution System Plan (DSP) consolidates the documentation related to a distributor’s asset management process and capital expenditure plan, as described in the Handbook.</p> <p>Good distributor planning is an essential prerequisite to the performance-based rate-setting approaches established under the Handbook, and necessary to ensure that the four performance outcomes the OEB has established for electricity distributors, namely Customer Focus, Operational Effectiveness, Public Policy Responsiveness, and Financial Performance, are being achieved.</p>	<p>A VSU would need to include a statement that its DSPs contributes to the utility's achievement of the 4 performance outcomes as noted by the OEB in the RRF</p> <p>The VSU DSP Sample has an Asset Management Process and Capital Expenditure Plan. (e.g., Section 3. Planning Process, Section 4. Capital Expenditure Plan)</p> <p>A VSU should be able to demonstrate good distributor planning by explaining how they take data, evaluate it through their planning process, and the development of capital expenditure plans as a result of their planning process evaluation.</p> <p>A VSU could provide a table to show how they’re planning process meets the four performance outcomes. (e.g., Section 1.3 Asset Management Objectives)</p>
<p><b>5.0.1 Application and Scope</b></p> <p>These filing requirements apply to licensed, rate regulated electricity distribution utilities in Ontario when filing DSPs in accordance with the frequency set out by the OEB in section 5.1.3 of these requirements.</p>	<p>The VSU will meet the chapter 5 filing requirements.</p>
<p><b>5.0.2 The OEB’s Evaluation of DSPs</b></p> <p>DSP filings must address whether a distributor has achieved and will continue to achieve the four performance outcomes the OEB has established for electricity distributors. Section 5.4.2 explains the specific criteria the OEB will use to evaluate whether a DSP, and in particular the material projects/programs proposed for cost recovery in a DSP, addresses these four outcomes.</p>	
<p><b>5.1 General &amp; Administrative Matters</b></p>	

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<p>These filing requirements provide a standardized approach to a distributor’s filings of asset management and capital expenditure plan information in support of a rate application. Distributors are expected to include and clearly identify in their filings the information set out in these filing requirements, and to use the terminology and formats set out in these filing requirements.</p>	
<p><b>5.1.1 Purpose of Filing a Distribution System Plan</b>  To implement the policy objectives of the RRF as set out in the Handbook, all filing requirements related to DSPs have been consolidated in Chapter 5 of the OEB’s Filing Requirements for Electricity Distribution Rate Applications.</p> <p>Filing a DSP with an application to the OEB will provide information to the OEB and interested stakeholders including, but not necessarily limited to, a distributor’s approach to evaluating its performance, management of its assets, and capital investment plans.</p>	<p>The VSU DSP should be able to explain the objectives of the capital expenditure plan, explain how the VSU arrived at the capital expenditure needs, and provide the data the VSU relies on to assess and develop its capital expenditure plan.</p>
<p><b>5.1.2 Investment Categories</b></p> <ul style="list-style-type: none"> <li>• <b>System access</b> investments are modifications (including asset relocation) to a distributor’s distribution system that a distributor is obligated to perform to provide a customer (including a generator customer) or group of customers with access to electricity services via the distribution system.</li> <li>• <b>System renewal</b> investments involve replacing and/or refurbishing system assets to extend the original service life of the assets and thereby maintain the ability of the distributor’s distribution system to provide customers with electricity services.</li> <li>• <b>System service</b> investments are modifications to a distributor’s distribution system to ensure the distribution system continues to meet distributor operational objectives while addressing anticipated future customer electricity service requirements.</li> </ul>	<p>The VSU will use the four investment categories as set out in Section 5.1.2</p>

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<ul style="list-style-type: none"> <li>• <b>General plant</b> investments are modifications, replacements or additions to a distributor’s assets that are not part of its distribution system including land and buildings, tools and equipment, rolling stock and electronic devices and software used to support day to day business and operations activities.</li> </ul>	
<p><b>5.1.3 Timing of Filing</b>  All distributors are required to file a DSP when filing a cost of service application under a Price Cap Incentive Rate-setting (IR) or a Custom IR application (collectively referred to as rebasing applications). Distributors proposing to use the Annual IR Index method are not required to file a DSP when filing an application.<sup>6</sup></p> <p>The OEB may also require a DSP to be filed in relation to an Incremental Capital Module, a Z-factor application, or following a merger / acquisition / amalgamation / divestiture application</p>	<p>A VSU need only file a DSP upon a Cost of Service re-basing application, or as directed by the OEB.</p>
<p><b>5.2 Distribution System Plans</b>  Distributors are encouraged to organize the required information using the section and subsection headings indicated from here onwards. If a distributor’s application uses alternative section headings and/or arranges the information in a different order, the distributor shall provide a table that clearly cross-references the headings/subheadings used in the application to the section headings/subheadings indicated in these filing requirements. Distributors are also encouraged to structure the application so that all DSP appendices and supporting materials are included after the main DSP body text, to facilitate review.</p> <p>The DSP’s duration is a minimum of ten years in total, comprising an historical period and a forecast period. The historical period is the first five years of the DSP duration, consisting of five historical years, ending with the bridge year. For distributors that have not filed a DSP within the past five years, the historical period is from the test year of the distributor’s last cost of service application to</p>	<p>The VSU will provide at least 5 years historical data and 5 years of forecast data.</p> <p>If a VSU DSPs has its own headings a table should be provided to show how the VSU believes it has met the Chapter 5 filing requirements.</p>

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<p>the bridge year. The forecast period is the last five years of the DSP duration, consisting of five forecast years, beginning with the test year of the current cost of service application.</p>	
<p><b>5.2.1 Distribution System Plan Overview</b>  The distributor must provide a high-level overview of the information filed in the DSP and is encouraged not to unnecessarily repeat details contained in the rest of the DSP. The overview should include capital investment highlights and changes since the last DSP. A distributor should list the objectives it plans to achieve through this DSP, which will be used as a baseline comparison in the performance measurement section below. This DSP will be used to inform and potentially support any requests for incremental capital module (ICM) funding during the 5-year DSP forecast period.</p>	<p>The VSU will provide a high-level overview of the information filed in the DSP. In particular, the VSU should describe any issues that are being address over the test year and forecast years, if any.</p> <p>A VSU DSP can provide the objectives it plans to achieve and change since the last DSP through a table. (e.g., Section 1.3. Asset Management Objectives)</p>
<p><b>5.2.2 Coordinated Planning with Third Parties</b>  A distributor must demonstrate that it has coordinated infrastructure planning with customers (e.g., large customers, subdivision developers, and municipalities), the transmitter (e.g., Regional Infrastructure Planning), other distributors, the Independent Electricity System Operator (IESO) (e.g., Integrated Regional Resource Planning) or other third parties where appropriate. A distributor should explain whether the consultation(s) affected the distributor’s DSP as filed and, if so, provide a brief explanation as to how. For consultations that affect the DSP, a distributor should provide an overview of the consultation and relevant material supporting the effects the consultation had on the DSP.</p> <p>An overview of any consultation(s) should include: The purpose and outcome of the consultation; whether the distributor initiated the consultation or was invited to participate in it; and the other participants in the consultation process (e.g., customers, transmitter, IESO).</p>	<p>The VSU will provide a summary of its 3<sup>rd</sup> party coordination.</p> <p>Demonstration that a VSU has coordinated with third parties could include items such as meetings/discussions with third parties and providing the outcomes of those meetings/discussions.</p>

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<p>A distributor should file the most recent regional plan (Integrated Regional Resource Plan, Regional Infrastructure Plan). In the absence of a regional plan, the distributor should file a Regional Planning Status Letter from the transmitter. Further, a distributor is required to identify any inconsistencies between its DSP and any current Regional Plan. If there are any inconsistencies, the distributor shall explain the reasons why, particularly where a proposed investment in their DSP is different from the recommended optimal investment identified in the Regional Plan.</p> <p><u>Telecommunications Entities</u></p> <p>On January 11, 2022, the OEB issued further guidance to the regulation that requires distributors to consult with any telecommunications entity that operates within its service area when preparing a capital plan for submission to the OEB, for the purpose of facilitating the provision of telecommunications services, and include the following information in its capital plan</p> <ul style="list-style-type: none"> <li>• The number of consultations that were conducted and a summary of the manner in which the distributor determined with whom to consult.</li> <li>• A summary of the results of the consultations.</li> <li>• A statement as to whether the results of the consultations are reflected in the capital plan and, if so, a summary as to how.</li> </ul> <p><u>Renewable Energy Generation (REG)</u></p> <p>A distributor is expected to coordinate with the IESO in relation to REG investments and confirm if there are REG investments in the region.</p> <p>If there are REG investments proposed in the DSP, a distributor is expected to demonstrate that it has coordinated with the IESO, other distributors, and/or transmitters, as applicable, and that the investments proposed are consistent with a Regional Infrastructure Plan. This coordination is demonstrated by a comment letter provided by the IESO, to be filed with the DSP.</p>	

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<p><b>5.2.3 Performance Measurement for Continuous Improvement</b></p> <p><i>Distribution System Plan</i>  Distributors are expected to summarize objectives for continuous improvement (e.g., reliability improvement, number of replaced assets, and other desired outcomes) the distributor set out to address in its last DSP and to discuss whether these objectives have been achieved or not. For objectives not achieved, a distributor should explain how it affects this DSP and, if applicable, improvements a distributor has implemented to achieve the objectives set out in this DSP Section 5.2.1.</p> <p><i>Service Quality and Reliability</i>  Chapter 7 of the OEB’s <i>Distribution System Code</i> outlines the OEB’s expectations regarding Service Quality Requirements (SQR) for Electricity Distributors. A distributor is required to provide the reported SQRs for the last five historical years. A distributor should also provide explanations for material changes in service quality and reliability, and whether and how the DSP addresses these issues. The OEB expects any five-year declining trends in reliability for SAIDI and SAIFI to be explained. If a distributor has reliability targets established in a previously filed DSP, as described below, any under-performance should also be explained.</p> <p>A completed Appendix 2-G, documenting both the Service Quality and Service Reliability indicators, must be filed. A distributor must confirm that data is consistent with the scorecard or must explain any inconsistencies.</p> <p>A summary of performance for the historical period using the methods and measures (metrics/targets) identified and described above, and how this performance has trended over the period.</p>	<p>The VSU will provide an overview of the metrics it uses to measure the effectiveness of its distribution system plans</p> <p>These could include:</p> <ul style="list-style-type: none"> <li>- Planned/actual assets replaced</li> <li>- OM&amp;A per Customer</li> <li>- Power quality measures</li> <li>- Service quality and Reliability metrics</li> <li>- Interruption information</li> <li>- Other metrics as developed and used by the VSU</li> </ul> <p>A VSU DSP could summarize the objectives it planned to achieve in a DSP through a table which should include a quantitative summary of what it planned to achieve, if applicable.</p> <p>For reliability, a VSU DSP could provide tables or graphs for the SAIDI and SAIFI numbers (all interruptions, excluding Loss of Supply (LOS), excluding Major Event and LOS). It should also provide 3 tables by cause codes (# of interruptions, # of customers interrupted, and # of customer hours interrupted) (e.g., Section 3.2.1.1 Cause Codes for Power Interruptions).</p>

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<p><b>5.3 Asset Management Process</b>  A distributor must use an asset management process to plan, prioritize, and optimize expenditures. The purpose of the information requirements set out in this section is to provide the OEB and stakeholders with an understanding of the distributor’s asset management process, and the links between the process and the expenditure decisions that comprise the distributor’s capital investment plan.</p>	<p>The VSU is to describe its asset management process to plan, prioritize and optimize expenditures. The VSU should also identify the data it relies on. These <u>can</u> include:</p> <ul style="list-style-type: none"> <li>• Inspection results and condition.</li> <li>• Asset capacity utilization/constraint assessment</li> <li>• Historical period data on customer interruptions caused by equipment failure</li> <li>• Reliability-based ‘worst performing feeder’ information and analysis</li> <li>• Reliability risk/consequence of failure analyses</li> </ul> <p>What is key is that the VSU describes the process it uses.</p> <p>This section is customizable to suit each VSU. This should allow the OEB to understand how the data inputs a VSU has considered (e.g., customer needs, asset needs, or reliability) leads to the capital expenditure plans. The raw data for the inputs should also be provided (e.g., Section 2.1.3 Poles). A VSU should decide the best way to provide the raw data to present its case.</p>
<p><b>5.3.1 Planning Process</b>  The distributor must provide an overview of its planning process that has informed the preparation of the distributor’s five-year capital expenditure plan (a flowchart accompanied by explanatory text may be helpful).</p> <p>A distributor should provide a summary of any important changes to the distributor’s asset management process (e.g., enhanced asset data quality or scope, improved analytic tools, process refinements, etc.) since the last DSP filing.</p>	<p>The VSU is to provide an overview of its planning process that has informed the preparation of the DSP.</p> <p>The VSU will note any important changes that have impacted the test year forecast.</p> <p>This section is customizable to each VSU. A VSU should provide how it arrives at its capital expenditure plan. (e.g., Section 1.4 Asset Management Process Flowchart)</p>



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<p><u>Process</u></p> <p>A distributor should provide the processes used to identify, select, prioritize (including reprioritizing investments over the five-year term), optimize and pace the execution of investments over the term of the DSP. A distributor should be able to demonstrate that it has considered the correlation between its capital plan and customers’ feedback and needs. A distributor should also demonstrate that it has considered the potential risks of proceeding/not proceeding with individual capital expenditures (e.g., the risk/benefit of a reactive service transformer replacement program instead of proactively replacing service transformers).</p> <p>A distributor should demonstrate how it does grid optimization using an approach that considers the distributor’s whole system. This should include, where applicable, assessing the use of non-wires alternatives, distributed energy resources, cost-effective implementation of distribution improvements affecting reliability and meeting customer needs at acceptable costs to customers, other innovative technologies, and consideration of distribution rate funded Conservation and Demand Management (CDM) activities.</p> <p>A distributor must also demonstrate that it has a planning process for future capacity needs of the distribution system, which must include, among others, increased adoption of electric vehicles. On November 2, 2022, the OEB posted the “Load Forecast Guideline for Ontario” provided by the Regional Planning Process Advisory Group (RPPAG), which provided guidance in the development of demand forecasts to increase consistency among distributors.<sup>14</sup> Distributors should consider this guidance when developing their load forecasts. The guidance recommended a sensitivity analysis to capture uncertainty in the demand forecast and noted “one of the evolving components with respect to the demand for electricity is electrification which is expected to change the growth patterns such as they are not well represented by historical trends.”</p>	<p>If there are no changes to the asset management since the last DSP, then just provide a statement to that affect.</p>

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<p><b>5.3.2 Overview of Assets Managed</b></p> <p>Assessment of DSPs requires a comprehensive understanding of all aspects of the assets managed by a distributor. Distributors may vary in terms of the level of detail that they choose to record for their distribution assets, but the expectation is that in assessing the condition of major assets (e.g., station transformers and poles), solely using asset age is not sufficient.</p> <p>A distributor should provide an overview of its distribution service area (e.g., system configuration; urban/rural; temperate/extreme weather; underground/overhead; fast/slow economic growth) pertinent for supporting its capital expenditures over the forecast period. A distributor should provide asset information (e.g., asset capacity and utilization; asset condition; asset failures/performance; asset risks; and asset demographics), by major asset type, that may help explain the specific need for the capital expenditures and demonstrate that a distributor has considered all economic alternatives. There should also be a statement as to whether the distributor has had any transmission or high voltage assets (&gt; 50kV) deemed previously by the OEB as distribution assets, and whether there are any such assets that the distributor is asking the OEB to deem as distribution assets in the present application.</p> <p>A distributor should also provide a description of whether the distributor is a host distributor (i.e., distributing electricity to another distributor’s network at distribution-level voltages) and/or an embedded distributor (i.e., receiving electricity at distribution-level voltages from any host distributor(s)). The distributor must identify any embedded and/or host distributor(s). Partially embedded status (i.e., where part of the distributor’s network is served by one or more host distributors but where the distributor is also connected to the high voltage transmission network) must be clearly identified, including the percentage of load that is supplied through the host distributor(s). If the distributor is a host distributor, the distributor should identify whether there is</p>	<p>The VSU should describe the assets it manages and describe its service territory (e.g. system configuration; urban/rural; temperate/extreme weather; underground/overhead; fast/slow economic growth).</p> <p>The VSU should outline how it determines asset condition for its various asset classes.</p> <p>Overview of assets could include number of each asset, asset demographics, asset utilization/capacity, and asset inspection results. (e.g., Section 1.1 Utility Characteristics and System Configuration and Section 2 Overview of Assets Managed). VSUs should provide the data that they currently use/have.</p> <p>Data that could be provided include asset age, number of assets, asset capacity, asset inspection reports, or asset testing results.</p> <p>ESA inspection reports can be provided as well.</p>

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<p>a separate Embedded Distributor customer class or if any embedded distributors are included in other customer classes (such as GS &gt; 50 kW).</p>	
<p><b>5.3.3 Asset Lifecycle Optimization Policies and Practices</b>  An understanding of a distributor’s asset lifecycle optimization policies and practices will support the regulatory assessment of system renewal investments and decisions to refurbish rather than replace system assets. The Information provided should be sufficient to show the trade-off between spending on new capital (i.e., replacement) and life-extending refurbishment. A distributor should also be able to demonstrate that it has carried out cost-effective system operations and maintenance (O&amp;M) activities to sustain an asset to the end of its service life (and can include references to the Distribution System Code).</p> <p>A distributor should explain the processes and tools it uses to forecast, prioritize, and optimize system renewal spending and how a distributor intends to operate within budget envelopes. For prioritizing capital expenditures, a distributor should help the audience understand the approaches the distributor uses to balance a customer’s need for reliability and capital expenditure costs. A distributor should also demonstrate that it has considered the potential risks of proceeding/not proceeding with individual capital expenditures.</p> <p>A distributor should also be able to demonstrate that in planning the lifecycle of an asset, it has considered the future capacity requirements of the asset such that it does not need to be replaced prematurely due to capacity constraints.</p> <p>A distributor should provide a summary of any important changes to the distributor’s asset life optimization policies, processes, and tools since the last DSP filing.</p>	<p>The VSU should describes its processes and practices with respect to making decisions with respect to replacement vs. refurbishment of an asset.</p> <p>Show options that were considered to address asset renewal needs, if available.</p> <p>For system renewal spending, does it maintain or improve reliability and how does this align with what customers want.</p> <p>Considering future capacity requirements could be demonstrated through a load forecast and remaining asset capacity.</p>
<p><b>5.3.4 CDM Activities to Address System Needs</b></p> <p>The OEB’s 2021 Conservation and Demand Management Guidelines for Electricity Distributors (the CDM Guidelines)<sup>16</sup> provide updated OEB guidance</p>	<p>The VSU to provide information if applicable.</p>

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<p>on the role of conservation and demand management (CDM) for rate-regulated electricity distributors, taking into account the provincial 2021-2024 CDM Framework and previous provincial CDM frameworks, and addressing the treatment of CDM activities in distribution rates. The CDM Guidelines require distributors to make reasonable efforts to incorporate CDM activities into their distribution system planning process, by considering whether distribution rate-funded CDM activities may be a preferred approach to meeting a system need, thus avoiding or deferring spending on traditional infrastructure. CDM activities potentially eligible for distribution rate funding are not limited to energy efficiency programs and include activities that reduce instantaneous electricity demand, including demand response and energy storage.</p> <p>A distributor’s DSP should describe how it has taken CDM into consideration in its planning process. The degree of consideration of CDM in meeting system needs should be proportional to the expected benefits, and will likely vary across distributors, taking into account the size and resources of a distributor. CDM will not be a viable alternative for all types of traditional infrastructure investments. Distributors are encouraged to take account of learnings from CDM activities that have been undertaken by other electricity distributors, in Ontario or elsewhere.</p> <p>Distributors may apply to the OEB for funding through distribution rates for CDM activities as specified in the CDM Guidelines. Any application for CDM funding to address system needs must include a consideration of the projected effects on the distribution system on a long-term basis and the forecast expenditures. Distributors must explain the proposed activity in the context of the distributor’s DSP, including providing details on the system need that is being addressed, any infrastructure investments that are being avoided or deferred as a result of the CDM activity (could include investments upstream of a distributor), and the prioritization of the proposed CDM activity relative to other system investments in the DSP. Distributors should describe their approach to assessing the benefits and costs of CDM activity. However, the CDM</p>	<p>The VSU should state if CDM is not a viable alternative and provide context as to why (e.g., Section 3.3.7 CDM Activities to Address System Needs).</p>

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<p>Guidelines recognize that the Framework for Energy Innovation’s (FEI) near-term activities include defining an approach to assessing the benefits and costs of distributed energy resources and may apply approaches from the FEI in the future.<sup>18</sup></p>	
<p><b>5.4 Capital Expenditure Plan</b>  The capital expenditure plan should set out and comprehensively justify a distributor’s proposed expenditures on its distribution system and general plant over a five-year planning period, including investment and asset-related O&amp;M expenditures.</p> <p>A distributor’s DSP details the system investment decisions developed on the basis of information derived from its planning process. It is critical that investments be justified in whole or in part by reference to specific aspects of that process. As noted in section 5.2 above, a DSP must include information on the historical and forecast period.</p>	<p>The VSU should provide its capital plan for the test year and four more years. It will outline the issues being addressed by the capital expenditures and point to the supporting information (e.g. ESA 22/04 reports, field reports, audits, special studies).</p> <p>The VSU will provide completed appendices 2-AA and 2-AB.</p> <p>Each investment should tie back to data that is provided as part of the planning process.</p>
<p>The purpose of the information filed under this section is to provide a snapshot of a distributor’s capital expenditures over a 10-year period, including five historical years and five forecast years. Despite the multi-purpose character, a project or program may have, for summary purposes the entire cost of individual projects or programs are to be allocated to one of the four investment categories on the basis of the primary (i.e., initial or trigger) driver of the investment. For material projects/programs, a distributor must estimate and allocate costs to the relevant investment categories when providing information to justify the investment, as this assists in understanding the relationship between the costs and benefits attributable to each driver underlying the investment. In any event, the categorization of an individual project or program for the purposes of these filing requirements should not in any way affect the proper apportionment of project costs as per the DSC.</p>	<p>The analysis should explain how the VSU performed on previous DSP investments and how this drives future DSP investments (e.g., Section 4.2 Comparison of Planned Expenditures Versus Historical and Section 4.3 Comparison of Historical Actual Expenditures Versus Historical Planned).</p>

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<p>The distributor must provide completed appendices 2-AA – Capital Projects Table and 2-AB – Capital Expenditure Summary Table along with the following information about a distributor’s capital expenditures:</p> <ul style="list-style-type: none"> <li>• An analysis of a distributor’s capital expenditure performance for the DSP’s historical period. This should include an explanation of variances by investment or category, including that of actuals versus the OEB-approved/planned amounts for the applicant’s last OEB-approved Cost of Service or Custom IR application and DSP (the variance analysis should also include variances in planned and actual volume of work completed). A distributor should particularly explain variances in a given year that are much higher or lower than the historical trend.</li> <li>• An analysis of a distributor’s capital expenditures for the DSP’s forecast period. For capital investments that have a project life cycle greater than one year, the proposed accounting treatment, including the treatment of the cost of funds for construction work-in-progress.</li> <li>• An analysis of capital expenditures in the DSP’s forecast period compared to the historical period.</li> <li>• A summary of any important modifications to typical capital programs since the last DSP (e.g., changes to individual asset strategies).</li> </ul> <p>System O&amp;M costs are also shown to reflect the potential impact, if any, of capital expenditures on routine system O&amp;M. A distributor is expected to consider the reduction in O&amp;M costs when planning capital investments. A description of the impacts of capital expenditures on O&amp;M must be given for each year, or a statement that the capital plans did not impact O&amp;M costs. A distributor must consider the trade-offs between capital and O&amp;M when assessing alternative options to a capital investment.</p> <p>A statement should be provided that there are no expenditures for non-distribution activities in the applicant’s budget.</p>	

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<p><b>5.4.2 Justifying Capital Expenditures</b></p> <p>As indicated in Chapter 1, the onus is on a distributor to provide the data, information and analyses necessary to support the capital-related costs upon which the distributor’s rate proposal is based. Filings must enable the OEB to assess whether and how a distributor’s DSP delivers value to customers, including by controlling costs in relation to its proposed investments through appropriate identification, optimization, prioritization, pacing of capital-related expenditures, and how it developed its overall capital budget envelope. A distributor should also keep pace with technological changes and integrate cost-effective innovative investments and traditional planning needs such as load growth, asset condition and reliability.</p> <p>A distributor must not only provide information to justify each individual investment, but also the total amount of its proposed capital expenditures. A distributor should provide context on how its overall capital expenditures over the next five years, as a whole, will achieve the distributor’s objectives. Particularly, a distributor should comment on lumpy investment years and rate impacts of capital investments in the long-term.</p>	<p>A VSU can describe the objectives the VSU are planning to achieve and how the VSU plans to achieve them (e.g., Section 4.4 Justifying Capital Expenditures).</p> <p>A VSU should indicate if NWAs were considered and whether it’s technically feasible.</p>
<p><b>Material Investments</b></p> <p>The focus of this section is on projects/programs that meet the materiality threshold set out in Chapter 2 of the Filing Requirements for Electricity Distribution Rate Applications. However, distributors are encouraged in all instances to consider the applicability of these requirements to ensure that all investments proposed for recovery in rates, including those deemed by the applicant to be distinct for any other reason (e.g., unique characteristics; marked divergence from previous trend) are supported by evidence that enables the OEB’s assessment according to the evaluation criteria set out below. The level of detail filed by a distributor to support a given investment project/program should be proportional to the materiality of the investment. The following are guidelines on the information to be provided for any material investment.</p>	<p>The VSU should provide Material Investment Plans as appropriate.</p> <p>VSU can provide the information they use internally to approve their capital projects/programs. Information does not need to be tailored specifically for the purpose a rate application.</p> <p>If the expected information in the filing requirements do not apply to the proposed capital expenditure the VSU should state so and provide an explanation.</p>

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<p>A. General Information on the project/program</p> <p>B. Evaluation criteria and information requirements for each project/program</p>	

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