ATIKOKAN HYDRO INC.

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**June 24, 2009**

Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, Suite 2700
Toronto, Ontario M4P 1E4

**Re: Proposed Amendments to the Distribution System Code**
**Board File EB-2009-0077**

Dear Ms. Walli,

Atikokan Hydro Inc. is pleased to file with the Board our comments and concerns with the proposed Distribution System Code amendments.

If you have any questions, please contact the undersigned at (807) 597-6600.

Yours truly,

Wilf Thorburn

Wilf Thorburn
CEO/Secretary-Treasurer

# Comments to OEB related to the Proposed DSC Amendments from Atikokan Hydro

Background

Atikokan Hydro is a small local distribution company serving 1700 customers with a peak load of 4 MW [was 7 MW when particle board plant was running]. Atikokan Hydro is supportive of the development of green energy facilities in Atikokan and would like to prepare for working cooperatively with the proponents. As a small utility we are also concerned with keeping the impact of connecting new generation facilities acceptable to our rate payers. We trust that the OEB's "Initiatives to Implement an Integrated Regulatory Framework for Electricity Infrastructure Investment" will address the issues we are raising and still be fair to our distribution customers.

Comments

If an LDC has assets that are at end of life and are no longer needed due dropping load some questions arise as follows:

1. If an end of life 44 kV distribution line is to be taken out of service due to results of an asset assessment does this require OEB approval? The facility envisioned is a 11 km 44 kV line that is fed from a Hydro One owned transformer station Moose Lake (115 kV to 44 kV). The rebuilding of the line could represent 5 years of our normal capital budget and if this was not recovered in some way would cause a large rate increase.
2. If an embedded generator proposal is made for connecting to this out of service or end of life line, what is the generator's and LDC's cost responsibility associated with both the rebuilding cost and on-going maintenance cost.
3. Will the answer to the above question change if the proposed embedded generator is not a renewable project or does not qualify for the OPA Feed in Tariff (FIT) program.
4. Should the OEB become involved in determining the appropriate response to this type of situation and at what point?
5. How will the EG's allocated connection cost and EG's on-going costs be determined for qualified green projects and non-green projects for connection to an end of life distribution facility no longer required to serve customers.
6. Going forward, should the rate cap contribution allotted to an LDC not be somehow related to the load of the LDC? Our case in point would be that Moose Lake has two transformers – a 15 mVA and an 8 mVA. Atikokan Hydro has a 44 kV line from each that is configured as a loop. Obviously the line to the 15 mVA transformer is more attractive to a FIT generator because the capacity to export power to the grid is 9.9 mW, while the capacity of the smaller transformer would allow an export of only 6 mW. Unfortunately, the line to the 15 mVA transformer is the one that will require significant investment. [line described in item 1].
7. Given item 6, and given the LDC has a 4 mW load, it seems preposterous that it could be expected to support connection costs up to a generator that would produce 250% of the LDC load.

8. A CIA may well conclude that in order to maintain required service [quality] to its customers that significant upgrades to protect its substations from accepting generator caused faults from FIT generators could put the costs higher than the $90,000.00 per mW. [a figure that would produce significant challenges to meet with the existing customer base]
9. Such changes to the DSC could well cause both the OEB and the LDC to conclude that a premature rebasing would need to occur. A rebasing will cost 1.5 to 2 years of normal capital expenditures.
10. In Atikokan's case, it would make sense that :
    - modifications or additions to manage and control 2-way electrical flows, as opposed to radial flow
    - modifications to, or the addition of, electrical protection equipment
    - modifications to, or the addition of, voltage regulating equipment
    - the provision of protection against islanding (transfer trip or equivalent) be the transmitter's expense because it would be the transmitter's equipment that would require modification. In general it would be more efficient and cost effective to have the owner of the equipment being modified to be responsible for that modification. [TS modification by owner of TS, and DS modification perhaps by others.
11. One may conclude that the approach taken by the OEB and the LDCs will need to occur on a case by case situation. To promote fairness, the siting of such generation must be in a growth or energy deficient area. Encouraging FIT entities to locate in negative or flat growth areas may not give the desired results, even though those areas may have capacity to accept small generators.

When the regulations are complete, it will require that a business case be made for the LDC to show a regular rate of return on the investment within a normal business cycle. For this reason a method to spread the cost across all electrical consumers may be the only method to ensure there is a business case to be made.