November 5, 2009

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street
27th Floor
Toronto, ON M4P 1E4
Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

Re: Distribution Rate for Embedded Generators <10 kW, EB-2009-0326

On October 22, 2009, the Board issued Procedural Order No. 2. The Board invited "evidence and/or proposals for a rate relating to the issues on the Final Issues List. *ENWIN*'s proposals follow.

Service Classification

The Board has indicated that the proposed description of the rate class is explicitly intended to only cover microFIT generators. The description appears to accomplish this objective.

The related implementation issue will be whether the creation of a rate class for one subset of generators will impose a disincentive for generator proponents to advance projects as microFIT projects in order to avoid this classification. Accordingly, since the scope of this proceeding is limited to microFIT generators, *ENWIN* proposes that another proceeding be commenced immediately to address 1) other renewable generators and 2) other micro generators (<10 kW), in order to mitigate the influence of regulatory classification from impacting business decisions. Among these "out of class" generators would be those that would be microFIT eligible but for not meeting provincial content requirements.

From an LDC perspective, implementing a comprehensive set of generator rate classifications simultaneously would facilitate building understanding among generators and potential generators. A broad application of charges to all generators would likely be perceived as a fairer application of charges, rather than charges that target certain generators.

Cost Elements to be Recovered

ENWIN anticipates that not all distribution system cost elements will be common to all microFIT generators. For example, connection costs will vary not only according to connection type (i.e. direct, indirect-parallel, indirect-series), but also due to the individual location and set-up circumstances and choices of generators. These connection costs will be recovered directly from the individual generator.

The Board's code amendments in EB-2009-0303 in which gross load billing and separate account treatment for generators were established should significantly eliminate variances in the

administration costs associated with connection type. Nonetheless, administering indirect-series connected generators will continue to drive higher back-end costs to perform "deduct metering" for associated load accounts. Though it is possible that these incremental costs may be captured under the same USofA accounts as costs common to all microFIT generators, it will not be until all those systems have been modified and operationalized that the impact will be fully understood. It is not clear at this time whether these costs will be allocated directly to generators individually or as a class or whether these costs will be subsidized by the shareholder or load customers.

To the extent that there will be one rate class for all microFIT generators, *ENWIN* supports maintaining common rates for the single rate class, irrespective of connection type or generation profile. In the event different rates will be charged due to different cost drivers or different generation profiles, *ENWIN* proposes that the Board adopt multiple rate classes.

ENWIN supports common rates irrespective of ownership. In the load customer context, it is not unusual for a person to hold multiple accounts within or across rate classes. EB-2009-0303 amended the codes so that each account will be managed independently; there were no provisos for different treatment based on connection type, ownership or aggregation of accounts. In that this principle of account independence has been established, *ENWIN* proposes that the Board's rate policy remain consistent with it.

As an LDC, *ENWIN* remains neutral on the issue of which classes of customers ought to pay for the costs of distribution. *ENWIN*'s corporate objective is to remain whole and achieve a reasonable rate of return, both of which allow it to build, operate, maintain and administer a distribution system that meets the needs of those connected and the public-at-large.

It is in *ENWIN*'s interest to understand the broad principles the Board uses to allocate costs in order to inform itself and its stakeholders. Currently, generators do not appear to pay for the costs they create within distribution systems, though *ENWIN* is not certain if or where this principle is set out in legislation, regulation, code, or policy. *ENWIN* also proposes that through this proceeding the Board actively reconsider this principle, even if the expectation is that the principle will remain as is. The *Green Energy and Green Economy Act, 2009* and the regulatory spin-offs from the Act appear to represent a shift from a predominantly centralized and large generation oriented grid to a distributed generation grid with significant contributions from micro generation. This is expected to increase the costs of distribution as demands, physical and administrative, that were once almost exclusive to transmission systems are diffused. *ENWIN* submits that allocating these new types or magnitude of costs to load or generation customers should be actively considered and a clear determination made and communicated to stakeholders. This is even more important if load customers are to subsidize generators through distribution rates in light of anticipated higher commodity rates resulting from more expensive energy sources. *ENWIN* expects to be the primary point of contact for concerned load customers in its service areas. Therefore, *ENWIN* proposes that the recovery principle be clearly cited and articulated so that it can inform *ENWIN*'s communications with its stakeholders.

Rate Design – Universality

ENWIN anticipates that just as load customers drive different reasonable costs in different service areas, the same will be true of generation customers. The Board's considerable work over the past number of years in respect of cost of service ratemaking and cost allocation filings,

proceedings and decisions has led to rates that are more reasonable and better justified. Introducing a uniform rate across the province for microFIT generators would be a considerable departure from the foregoing. This could jeopardize both full recovery for LDCs and mitigation of unreasonable subsidization among rate classes.

ENWIN is attuned to the attractiveness of a single provincial rate that is quick and easy to apply. However, *ENWIN* proposes LDC-specific rates because it is not reasonable for LDC shareholders and load customers to absorb the costs of a quick and easy solution that largely benefits generators, those promoting small renewable generation and the regulator. *ENWIN* respectfully suggests that the reason for having an independent and expert economic regulator is, at least in part, due to the fact that rate fairness and return fairness are not quick and easy determinations.

Rate Design – Nature

In respect of capital costs, *ENWIN* anticipates that the costs caused by microFIT generators will vary according to nameplate capacity. *ENWIN* will need to build a system through expansions and renewable enabling improvements that facilitates generation up to nameplate capacity for each generator. While microFIT generators will pay the connection costs, due to project size it is likely that all other costs will be recovered through rate base. To the extent that the proposed rate class is responsible for some or all of these costs and given the relatively small capacity band for this rate class (<10 kW) and the complexity associated with developing and maintaining a schedule of capacity rates, *ENWIN* proposes that these costs be recovered through a fixed rate.

In respect of administrative costs, *ENWIN* anticipates that the costs caused by microFIT generators will not generally fluctuate according to nameplate capacity or actual generation. Accordingly, *ENWIN* proposes a fixed rate for recovery of these costs.

In respect of O&M costs, *ENWIN* anticipates that the costs caused by microFIT generators will generally fluctuate according to actual generation. While there is a relatively small capacity band for this rate class (<10 kW), it is not clear to *ENWIN* that the generation profiles of different renewable fuel sources would lead to similar distribution system costs. If the costs caused are significantly different, it is also not clear to *ENWIN* whether kW, kWh or some other metric would be the best charge determinant. (*ENWIN* does prefer kWh or capacity billing determinants to kW billing determinants for any non-fixed charge on the basis that the costs of meters appear to be less.) Only if the costs are not significantly different would be reasonable to recover these costs through a fixed charge.

Implementation

ENWIN's interest in respect of implementation is that sufficient advance notice be provided in order to modify metering and billing systems. It is also in *ENWIN*'s interest that the rate fairness issue be clearly considered and communicated to LDCs and the public.

For May 1, 2010, *ENWIN* proposes that the Board establish rate classes for microFIT and non-microFIT <10 kW generators. *ENWIN* proposes that the rates for these two classes initially mirror each other and that the Board apply the same principles from this proceeding in creating that twin rate class. *ENWIN* proposes that all these generators, irrespective of connection type, pay the

same rates. *ENWIN* also proposes that the Board establish a rate class or classes for FIT generators by the same May 1, 2010 deadline in order to provide those proponents and the LDCs that facilitate them with clarity on cost responsibility and allocation.

Yours very truly,

***ENWIN* Utilities Ltd.**

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