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November 12, 2009

VIA MAIL AND EMAIL

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
26<sup>th</sup> Floor  
2300 Yonge Street  
Toronto, ON  
M4P 1E4

Dear Ms. Walli:

**Re: Draft Issues List re: Proceeding to Determine a Just and Reasonable Rate  
to Recover the Costs Associated with Embedded Generators Having a  
Nameplate Capacity of 10 kW or Less  
Board File Number: EB-2009-0326**

Please find enclosed interrogatories filed on behalf of VECC with respect to the proposals filed by CanSIA, ENWIN, HON, and the EDA.

Yours truly,

Michael Buonaguro  
Counsel for VECC  
Encl.

**RECOVERY OF COSTS ASSOCIATED WITH MICROFIT PROGRAM  
OEB FILE NO. EB-2009-0326**

**PROPOSAL BY THE CANADIAN SOLAR INDUSTRIES ASSOCIATION  
("CanSIA")**

**VULNERABLE ENERGY CONSUMERS COALITION'S INTERROGATORIES**

**Question #1**

Preamble: The Proposal suggests that the costs to LDCs associated with billing, metering, administration and settlement will be minimal and should be socialized (page 2).

- a) What is the basis for CanSIA's claim that these costs are minimal? If it is based on current circumstances, could this change as the number of microFIT generators locating in a particular LDC increases?
- b) In the event that the costs can not be socialized under the current statutory framework (i.e., the GEGEA and Ontario Regulation 330/09), who should be responsible for these costs: the microFIT generator or the host distributor's rate payers?

**RECOVERY OF COSTS ASSOCIATED WITH MICROFIT PROGRAM  
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**PROPOSAL BY ENWIN UTILITIES (“ENWIN”)**

**VULNERABLE ENERGY CONSUMERS COALITION’S INTERROGATORIES**

**Question #1**

Preamble: The Proposal states that not all distribution system cost elements will be common to all microFIT generators (page 1). It also states that “while microFIT generators will pay connection costs, due to project size it is likely that all other costs will be recovered through rate base” (page 3).

- c) Please provide a schedule that set out all the capital cost categories (per the USOA) where ENWIN expects costs could be incurred by distributors in connecting and servicing microFIT generators and indicate those where the cost element is likely to apply to all microFIT generators versus those that may only apply to some microFIT generators.
- d) In responding to part (a), please note those cost categories that ENWIN expects will be recovered from rate payers versus where the costs will be paid by generator or through the Global Adjustment (per Regulation 330/09).

**Question #2**

Preamble: ENWIN anticipates that both administrative costs and O&M costs will be incurred in servicing microFIT generators (page 3).

- a) Please provide a schedule that sets out all the O&M and Administrative accounts (per the USOA) where ENWIN expects costs will be caused by microFIT generators.
- b) :Please indicate those accounts where ENWIN expects the costs will recovered from rate payers as opposed to externally funded.

**Question #3**

Preamble: ENWIN proposes LDC-specific rates (page 3).

- a) Assuming the Board adopts ENWIN’s proposal for a single microFIT class with a single rate and directs that the rate be a fixed charge, how would ENWIN establish its LDC-specific rate for microFIT generators?

- b) If ENWIN considers that more direction is required in order to establish the rate, please indicate where further direction is required, what ENWIN recommends as the appropriate approach.

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PROPOSAL FILED BY HYDRO ONE NETWORKS (HON)

VULNERABLE ENERGY CONSUMERS COALITION'S INTERROGATORIES

Question #1

Preamble: HON states (page 2) that the connection of micro-generators uses the same facilities as the main account for the customer and that the only incremental facility is a meter.

a) If a microFIT generator connects indirectly to a distributor's system (i.e., shares the connection service with the load customer as contemplated by HON) does HON expect there will be additional capital costs incurred for:

- The service connection
- The local transformer

If yes, please explain why and under what circumstances. Also, what is the HON's understanding as to how these facilities will be funded (i.e., through rates, through generator contributions or through the Global Adjustment per Ontario Regulation 330/09)?

b) In those cases where the microFIT generator connects indirectly (i.e., shares the connection service with the load customer) will the existence of the microFit generator impact on the maintenance costs associated with the service connection and local line transformer?

c) If a microFIT generator connects directly to the distributor's system, please confirm that there will be also be capital costs incurred for the service connection, switch and, in all likelihood, for a line transformer. If not, please explain why.

d) With respect to part (c), what is the HON's understanding as to who is responsible for the associated capital and O&M costs for these additional facilities (i.e., the Generator, the Distributor's Rate Payers or Province-wide consumers via the Global Adjustment) and why?

Question #2

Preamble: HON's proposal is to set the charge for microFIT generators equal to the fixed charge credit provided to USL customers.

- a) Please confirm that HON's USL credit consists of the following costs components:
- Depreciation, PILs, Debt Return and ROE on Meters (acct 1860)
  - Metering Expense (acct 5065)
  - Customer Premise Expense (acct 5070 & 5075)
  - Meter Maintenance (acct 5175)
  - Meter Reading (acct 5310)
  - A&G costs assigned to meters
  - Depreciation, PILs, Debt Return and ROE on General Plant assigned to Meters
- b) Is it HON's understanding that the capital cost of the meter required by the microFIT generator will be paid for by the distributor through rates (as opposed to by the generator or through the Global Adjustment)? Please explain what this understanding is based on. If answer is no, why are capital-related costs associated with the meter included in the microFIT charge.
- c) Given the microFIT generator is a separate account, why are there no billing and collecting costs included in the proposed microFIT charge?
- d) If a microFIT generator is owned by a load customer, does Hydro One Networks intend to bill microFIT generator separately or aggregate the two accounts' billings into one bill? Will the treatment depend upon whether or not the two are at the same location?
- e) Please confirm that, under the Board's Cost Allocation Methodology, General Plant is allocated using asset values prior the exclusion of contributed capital. If this is the case, should the allocation base for General Plant cost should include assets funded by generators or through the Global Adjustment? If not, why not?

### Question #3

Preamble: Hydro One Networks has calculated its proposed 2010 microFIT charge (i.e, the USL credit) based on 2010 forecast costs and a 2010 Cost Allocation run (EB-2009-0096, Exhibit G1, Tab 4, Schedule 5).

- a) Not all LDCs have completed or will complete (prior to May 1, 2010) a Cost Allocation run using forecast 2010 costs. What is HON's view as to how the 2010 microFIT charge should be set for these distributors?

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**PROPOSAL FILED BY THE ELECTRICITY DISTRIBUTORS ASSOCIATION (EDA)**

**VULNERABLE ENERGY CONSUMERS COALITION'S INTERROGATORIES**

**Question #1**

Preamble: The Table included the EDA's proposal identifies a number of expense-related accounts where it is noted that *"Generators will cause costs in this area. However, if LDCs are able to recoup these costs through another OEB mechanism, then they can be omitted. If not, then the cost will have to be included"*

- a) Please clarify what the other OEB mechanisms are that the EDA is referring to.
- b) Why are these particular accounts (e.g., Maintenance of Overhead Services and Maintenance Supervision & Engineering) considered eligible for funding through another OEB mechanism but expenses such as the following are not and therefore proposed for inclusion in the microFIT charge:
  - Operation Supervision and Engineering
  - Load Dispatching
  - Maintenance of Meters
- c) In the event that an LDC is unable to "recoup" the costs associated with these accounts through "another OEB mechanism", is it the EDA position that they should be included in the microFIT charge?
- d) If the response to part (c) is yes, would this be done during Phase 2 of the EDA rate design approach?

**Question #2**

Preamble: The Table included in the EDA's proposal calls for the inclusion of Capital-related costs attributable to Amortization, PILs, Debt Return and Equity Return in the microFIT charge.

- e) Please confirm that the only assets for which the EDA is proposing to attribute amortization, PILS or return with the micro-Fit charge are a portion of General Plant assets. If this is not the case, please identify any other assets and the reason why such costs for them should also be attributed to the microFIT charge.

- f) The EDA has assumed that the generator will pay for the metering required and therefore no amortization needs to be included in the microFIT charge. Please provide a schedule (similar to the Table submitted but based on assets) that lists all the asset categories applicable to distributors and identifies those asset categories where distributors may incur costs in order to connect/service microFIT generators? Please confirm, in each case, whether the EDA has assumed the capital associated costs will be paid for by the generator or through the Global Adjustment (per Regulation 330/09)?
- g) Please confirm that, under the Board's Cost Allocation Methodology, General Plant is allocated using asset values prior the exclusion of contributed capital. If this is the case, does the EDA agree that the allocation base for General Plant cost should include assets funded by generators or through the Global Adjustment? If not, why not?

### **Question #3**

**Preamble:** The EDA states (page 2) that the same cost elements are applicable to all microFIT customers regardless of the nature of the connection.

- a) If a microFIT generator connects indirectly to a distributor's system (i.e, shares the connection service with the load customer) does the EDA expect there will be additional capital costs incurred for:
- The service connection
  - The local transformer
- If yes, please explain why and under what circumstances. Also, what is the EDA's understanding as to how these facilities will be funded (i.e., through rates, through generator contributions or through the Global Adjustment per Ontario Regulation 330/09)?
- b) If a microFIT generator connects directly to the distributor's system, please confirm that there will be capital costs incurred for the service connection and, in all likelihood, for a line transformer. If not, please explain why.
- c) With respect to part (b), what is the EDA's understanding as to who is responsible for the associated capital and O&M costs for these facilities (i.e., the Generator, the Distributor's Rate Payers or Province-wide consumers via the Global Adjustment)?



#### **Question #4**

Preamble: The EDA proposes (page 3) that, initially there be a single provincial charge where “for each of the identified cost components, the figures allocated to it by all the LDCs in Ontario would be summed and the average calculated”.

- a) For each of the twelve elements, please describe how the value for each individual distributor would be determined.
- b) The proposed process involves identifying the costs for each distributor and then “averaging” the results. Would it not be simpler to use the individual distributor results to determine distributor specific microFIT charges.
- c) Please outline what the EDA sees as the time-line for Phase 1 and Phase 2 of its proposal.