



November 26, 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

ENWIN's responses to the interrogatories of the Vulnerable Energy Consumers Coalition follow.

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).

- a) 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.
- b) 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).

Response

For clarity, the proposal stated, "**ENWIN anticipates** that not all distribution system cost elements will be common to all microFIT generators." [emphasis added] It is a significant consideration in these proceedings that there is very little experience with distributed renewable micro-generation. ENWIN itself does not have experience with metering, billing or settling these facilities. ENWIN anticipates different cost causality based on the fact that its distribution system is already utilized differently by its load customers. For example, certain load customers own transformers and therefore do not cause or pay for LDC transformation.

ENWIN has not developed an expectation in respect of the capital cost categories that will be impacted in connecting and servicing microFIT generators. ENWIN plans on recovering the capital contributions from generators according to the pertinent rules and procedures. ENWIN plans on accurately tracking all capital costs and eventually seeking recovery for those costs, less the capital contributions, according to the pertinent rules and procedures.

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.

Response

ENWIN readily acknowledges that it does not have experience in managing a distribution system designed to accommodate both its load customer population and an extensive number of micro-generators. Accordingly, *ENWIN* did not take a position in its proposal in respect of the particular incremental costs arising out of the arrival of extensive grid-connected distributed renewable micro-generation.

The purpose of *ENWIN*'s submission in respect of administrative costs was to note that in theory, administrative costs, such as billing, will not generally fluctuate according to nameplate capacity or actual generation. Administrative costs are generally, if not entirely, fixed costs. Accordingly, those costs should be recovered using a fixed rate rather than a capacity rate or a volumetric rate.

Similarly, *ENWIN*'s submission in respect of O&M costs was to note that operation and maintenance costs tend to be more driven more by capacity and usage. The proposal noted, however, that the relatively narrow capacity band (<10 kW) may sufficiently mitigate the need to introduce a capacity or actual generation charge and instead allow these costs to be recovered through the fixed charge too. *ENWIN* is not in a position to lead evidence on how costs vary according to capacity or actual generation. *ENWIN*'s hope is that its proposal will encourage consideration of the issue and contributions from those with expert evidence on this topic for that purpose.

ENWIN expects that all costs will be recovered from ratepayers. Whether those costs are recovered from only local customers or from the provincial pool of customers appears to depend largely on the application of O.Reg. 330/09. Whether those costs are recovered from load or generation customers appears to depend largely on this proceeding. In respect of the costs at issue in this proceeding, *ENWIN* reiterates its position from the proposal: "As an LDC, *ENWIN* remains neutral on the issue of which classes of customers ought to pay for the costs of distribution."

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.

Response

ENWIN acknowledges the Board's treatment of this issue to date, in particular, establishing an interim rate equal to the LDC's Residential monthly service charge. As a first step, this appears logical in that both Residential and microFIT generation customers are metered and have small kW profiles. Further, in this early stage of development, it appears reasonable to anticipate customer inquiries regarding connections and billing that are more consistent with individual Residential customers than, for example, individual USL connections. However, not all LDCs have the same fixed-volumetric split and the full cost of serving these customers is based on both components of the distribution charge, not just the fixed component.

Accordingly, barring other direction from the Board on cost allocation principles as they pertain to generators as against load customers (as sought in the proposal) and pending a future cost allocation study, *ENWIN* would propose to establish a fixed rate for microFIT generators equal to 100% of the total Residential distribution charge.

Yours very truly,

***ENWIN* Utilities Ltd.**


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