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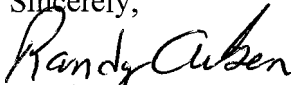
Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
Suite 2700
Toronto, Ontario, M4P 1E4

Dear Ms. Walli:

Re: EB-2009-0326 – Final Submissions of the London Property Management Association

Please find attached the final submissions of the London Property Management Association in the above noted proceeding.

Sincerely,



Randy Aiken
Aiken & Associates

IN THE MATTER OF the *Ontario Energy Board Act, 1998*,
S.O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF a proceeding initiated by the
Ontario Energy Board to determine and implement a distribution
rate for embedded generators having a nameplate capacity of 10
kW or less.

FINAL SUBMISSIONS OF THE
LONDON PROPERTY MANAGEMENT ASSOCIATION (“LPMA”)

1. INTRODUCTION

These are the final submissions of the London Property Management Association (LPMA) in relation to the implementation of a distribution rate for embedded generators having a nameplate capacity of 10 kW or less.

The Ontario Energy Board (Board) commenced a proceeding on its own motion to determine a just and reasonable rate to be charged by an electricity distributor for the recovery of costs associated with an embedded generator having a nameplate capacity of 10 kW or less that meets the eligibility requirements of the Ontario Power Authority’s (OPA) microFIT program. The Board has indicated that a service classification and an associated rate will be added to the rate tariffs of every distributor.

Ontario distributors currently do not have a specific rate for embedded micro generators. These generators have been classified by distributors into whichever existing rate classification best matched its load characteristics. As a result, most of these generators have been classified as residential of GS < 50 kW customers.

It is anticipated that the OPA’s proposed microFIT program will lead to a significant increase in the number of embedded micro generators. It is further anticipated that this

increase in the number of embedded micro generators could occur in a relatively short period.

LPMA notes that in the Decision and Procedural Order No. 2 dated October 22, 2009 in this proceeding, the Board indicated that it was clear that the scope of this proceeding was limited to the small embedded generators that meet the eligibility requirements of the OPA's microFIT program.

2. THE EVIDENCE

A review of the material filed in this proceeding, including interrogatories and interrogatory responses highlights the key problem for the Board, distributors and other stakeholders in this proceeding. The Board wants to determine a just and reasonable rate to be charged by distributors *for the recovery of costs* associated with a microFIT program eligible generator. However, at this time, there is neither evidence as to what these costs should include nor is there any evidence of what the magnitude of these costs will be. Further complicating the issue is the recovery of any costs that are determined to be associated with the microFIT rate class and what portion will be recovered from the local distributor ratepayers and what portion will be financed by other means.

There appears to be confusion within the industry as to what capital costs will be paid by the connecting generator and which costs would be included in the distributor rate base. Even among the distributors there appears to be different interpretations of who pays what and what should be recovered through rates.

There also appears to be a large divergence between some stakeholders, and even among distributors themselves, as to what operating, maintenance and administration costs are attributable to the embedded generators.

Finally there appears to be the beginning of a debate as to whether costs should be allocated to the microFIT class (and possibly other generators) on a fully allocated basis or on an incremental basis. For example, in the Enwin Utilities response to Board Staff

Interrogatories # 1 & 2, Enwin is of the view that incremental back-end costs imposed on associated load customers as a result of the direct-series connected generator customers should be recovered from generator customers or from the associated load customers. Enwin also states that *“It may well be that all network costs ought to continue to be borne by load customers. However, it may be that incremental network costs ought to be borne by generation customers”*. Enwin goes on to state that its position is that *“a contemporary re-evaluation of the underlying understanding and cost allocation principles attributed to the networks is a reasonable and prudent course of action for the Board and one that is central to this proceeding”*. LPMA agrees with this position, with the exception of the last part that indicates that it is central to this proceeding.

LPMA views the current proceeding as one in which the Board will determine an interim rate or methodology to set a rate for microFIT embedded generators. The scope of this proceeding does not include the contemporary re-evaluation that is a reasonable and prudent course of action. Even if it did, the evidence of Enwin, the Electricity Distributors Association (EDA) and Hydro One Networks Inc. (Hydro One) all indicate that they simply do not know enough at the current time to even provide an estimate of the costs associated with these embedded generators. Moreover, as noted earlier, it is not clear to anyone at this point in time how the costs, once they are accurately determined, will be recovered, or from whom.

At this point in time, the Board simply does not have the information needed to determine with any level of certainty an appropriate rate for microFIT embedded generators. Nor do the distributors have the information needed. It is likely that it will take several years for the distributors to gain experiences and obtain the information needed. Some distributors are likely to gain experience more quickly than others as a result of size, geographic location and other factors that may influence when and where microFIT embedded generators request connections.

LPMA submits that rates approved by the Board in this proceeding and/or the methodology to determine them should remain in place until the Board and distributors

gain experience with this class of customers and they are dealt with as part of the next generic review of cost allocation methodologies. This position is supported by Hydro One (LPMA Interrogatory # 5 to Hydro One) and reflects the Enwin position noted earlier that a contemporary re-evaluation of cost allocation principles is a reasonable and prudent course of action. The EDA also supports this proposal (LPMA Interrogatory # 5 to EDA).

The issue to be resolved on an interim basis by the Board is how to set the distribution rate for microFIT eligible embedded generators for an interim period of unknown duration in the absence of certainty related to costs, cost causality and allocation methodology.

There are essentially three proposals that have been put forward. One is based on the fixed residential charge, one on the USL credit and one based on no charges at all.

LPMA submits that the option of no charge at all should be discounted. Even if there are no capital costs associated with the connection of embedded generators included in rate base, there will be ongoing administration costs associated with meter reading, data processing and billing that need to be recovered from these generator customers, and not from other customer classes.

Of the remaining two options (the residential charge and the USL credit), LPMA agrees with Hydro One (SEC Interrogatory # 3 to Hydro One) that the costs caused on the distribution system from connecting a micro generator are meter related costs, except for the meter which the generator pays for upfront. The monthly credit for USL customers represents meter related costs. As such it appears to LPMA that this is an appropriate approximation for the costs that will be incurred by distributors when they connect a micro generator.

LPMA's submissions on the specific issues identified by the Board follow.

3. THE ISSUES

This section contains LPMA's submissions on the specific issues identified by the Board in its Decision and Procedural Order No. 2.

Service Classification

1. Is the description/definition for the embedded micro-generation service classification shown in Appendix D appropriate? If not, what should be the description/definition of this service classification?

LPMA believes that the description/definition of the embedded micro-generation service classification as outlined in Appendix D to the Board's October 22, 2009 Decision and Procedural Order No. 2 is appropriate. The Board may want to add a clause at the end of the first sentence to indicate that this service classification is independent of the rate class for any associated load customer.

Cost Elements to be Recovered

2. Are the same cost elements applicable to all micro-generation customers? If so, what cost elements should be used to establish the rate? Based on the Uniform System of Accounts (USoA), which specific accounts or components ought to be included in the development of the rate? If not, what cost elements should be used to establish the rate? Based on the USoA, which specific accounts or components ought to be included in the development of the rate for microFIT projects that are:

- a. Directly connected**
- b. Indirectly connected**
- c. Owned by the load customer entity at that location vs. owned by different entity.**

LPMA does not believe the Board or any other party to this proceeding has sufficient information at this time to determine whether or not the same cost elements should be applicable to all micro-generation customers. This knowledge will come as the distributors gain experience with different types of micro-generation and with different types of connections employed by the generators.

Depending on their own unique circumstances, some accounts may be relevant to the cost elements for some distributors and not relevant for others. Until the next generic cost allocation exercise is undertaken, LPMA does not believe that specific accounts or components can adequately be identified.

As noted above, LPMA supports the approach put forward by Hydro One to use the fixed charge credit provided to USL customers. Table 3 of the Hydro One response to SEC Interrogatory # 3 provides a description of the accounts used in the calculation of the credit.

LPMA submits that some of the costs shown in Table 3 should not be recovered from the microFIT customers. In particular, since the generator is expected to pay for their meter, there should not be any depreciation on metering or general plant assigned to metering included in the costs. Removing the depreciation costs would reduce the Hydro One charge to approximately \$5 per month. LPMA further notes that if there is no or little rate base impact associated with the generators paying for all the capital costs up front, there should be minimal costs associated with the cost of debt, return on equity or PILS.

However, there are likely to be other costs that should be included in the allocation to the microFIT customers that are not included in costs shown for the USL credit. For example, there may be additional administration and/or billing expenses related to reporting generation volumes to the OPA and providing payment to the generator. These costs and others may well offset the reduction for the removal of the depreciation related expenses.

Hydro One notes in its response to LPMA Interrogatory # 3 that the fixed charge it is proposing is expected to recover the meter reading, billing and/or payment costs incurred to provide service to microFIT generators and that as better information is gained the fixed charge can be revised to better reflect costs. LPMA submits that the Hydro One proposal is a good first approximation in determining the rate.

In summary, with regards to the cost elements that should be applicable to microFIT generators, LPMA believes that there is not enough information available to the Board at this time to make a determination. LPMA recommends the Board include this issue as part of a larger review of cost allocation issues associated not only with microFIT generators, but with all generators. There is currently no consensus among distributors as

to which cost elements should be included in the rate for microFIT generators. There is consensus, however, that the distribution system is changing and will change as a result of distributed generation of all types and sizes. LPMA supports Enwin's position that "*a contemporary re-evaluation of the underlying understanding and cost allocation principles attributed to the networks*" is needed. Furthermore, LPMA submits that the prudent course of action for the Board is to institute an interim solution for a rate for microFIT generators at this time. The Board should wait until distributors have sufficient operating experience in the new environment and a full re-evaluation of the cost allocation principles and impacts can be undertaken that may well impact on all rate classes.

LPMA submits that at this time, the Board and distributors do not have sufficient information to set different rates for those microFIT generators that are directly connected in relation to those that are indirectly connected.

Finally, LPMA does not believe that there should be any difference in rates applied to a microFIT generator based on the ownership of the facility. However, again, this is a matter that should be considered in a generic cost allocation exercise after distributors have gained experience with the variety of circumstances that are likely to occur.

Rate Design

3. Should the approved rate be a uniform rate for all distributors, or should different distributors have different rates?

As noted above LPMA supports the Hydro One approach for setting rates until the next generic cost allocation exercise is undertaken. This approach should be based on the unique characteristics of each distributor. LPMA believes the Hydro One approach should be applied by each distributor and thereby reflect their underlying cost structure just as this underlying cost structure is reflected in their rates to the various existing rate classes.

LPMA sees no advantages in having a uniform rate for all distributors for this class of customers. There are no other rate classes for which uniform rates have been established for all distributors. Further more, if distributors are allowed to opt out of the uniform rate by providing their own specific cost allocation proposals, the uniform rate with exceptions is likely to cause more problems and confusion than it solves, especially if the specific rate proposed by a distributor is significantly different from the uniform rate.

4. Should the costs be recovered through a fixed charge, a volumetric rate or a combination of the two? If there is to be a volumetric rate, what should be the basis for establishing the charge determinant? If there is to be a combination of fixed and volumetric, what should be the basis for the cost recovery split?

Based on the evidence provided by the distributors, it appears that the majority of the expected costs that will be incurred are administration related. When the next generic cost allocation exercise is completed, there may well be evidence to indicate that some costs are customer related and some are volumetric related. Until that determination is made, LPMA submits that the simple approach of recovering costs through a fixed charge only is the most appropriate recovery method. This provides more certainty to distributors and generators alike.

Implementation

5. What should the effective date be for any new rate or rates created by this proceeding? Does the incentive regulation framework pose any difficulties for implementation?

LPMA believes that the effective date should be the same as the effective date for new rates in 2010. For the majority of distributors this will be May 1, 2010.

However, as the Board is aware, there are some distributors requesting a change in their rate year, for example, to January 1, 2010. For these distributors, LPMA submits that the Board should make any new rate or rates created by this proceeding effective as soon as possible after other rate changes have been made effective.

COSTS

LPMA requests that it be awarded 100% of their reasonably incurred costs of participating in this proceeding.

All of which is respectfully submitted this 7th day of December, 2009.

Randall E. Aiken

Randall E. Aiken
Consultant to
London Property Management Association