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VIA COURIER and *RESS FILING*

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Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
27th Floor
Toronto ON M4P 1E4

Dear Ms. Walli

**Re: Proceeding to Determine a Just and Reasonable Rate to Recover the
Costs Associated with Embedded Generations Having a Nameplate
Capacity of 10 kW or Less, EB-2009-0326**

Attached please find the Power Workers' Union's final submission in the above proceeding.

Yours very truly,
PALIARE ROLAND ROSENBERG ROTHSTEIN LLP

Richard P. Stephenson

RPS:

encl.

cc John Sprackett, PWU
Judy Kwik, ERA

Doc 742985v1

HONORARY COUNSEL

Ian G. Scott, Q.C., O.C.
(1934 - 2006)

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.

Power Workers' Union's Final Submission

Background

On September 21, 2009, the Ontario Energy Board (the "Board" or "OEB") Issued a Notice of Proceeding ("notice") to determine, by way of a written hearing, a just and reasonable rate for the recovery of costs related to embedded generators with nameplate capacity of 10 kW or less ("embedded micro generator") that meet the Ontario Power Authority's ("OPA") microFIT program eligibility criteria. The Board's intent is to add this service classification and the associated rates on the rate tariffs of all the distributors.

The Board's notice notes that "historically the number of embedded micro generation facilities has been extremely limited" and that distributors typically classify embedded micro generators into the existing rate classification that best matches its load characteristics. However, the OPA's microFIT program is expected to significantly increase the number of embedded micro generators. Recognizing the administrative costs related to the embedded micro generation accounts, the Board states that it "considers it appropriate to assess these unique costs through a separate service classification and rate rather than using the rates developed for a load classification.

In its Notice, the Board notes that it is ordering the establishment of a service classification and an interim rate for embedded micro generators for all regulated distributors to “allow itself the flexibility to retroactively adjust the implementation date of any rate determined through a final order at the conclusion of the proceeding to the date of this notice”. The interim rate for embedded micro generators will be a fixed monthly charge equal to the distributor’s existing residential monthly service charge.

PWU’s General Position

The PWU is of the view that rates must be fair and therefore upholds the principle of cost causality in rate setting. The overarching principle guiding the PWU’s submission below on the issues set out for this proceeding is cost causality.

Issues

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?***

APPENDIX D

Service Classification for Embedded Micro-Generation Accounts

This Classification applies to an electricity generation facility meeting the eligibility requirements of the Ontario Power Authority’s microFIT program and connected to the distributor’s distribution system. To be eligible for the microFIT program, the nameplate capacity of the generation facility can not be greater than 10 kW.

In the PWU’s view, the description/definition for the embedded micro-generation service classification presented in Appendix D is appropriate. Specifying that the rate applies to facilities that meet the eligibility requirements of the OPA’s microFIT program provides clarity on the facilities covered by this classification.

Cost Elements to be Recovered

2. Are the same cost elements applicable to 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 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***

With regard to the cost elements that should be used to establish the microFIT rate, the PWU notes Hydro One Networks Inc.'s ("Hydro One") response to School Energy Coalition Interrogatory #3.

The costs caused on the distribution system from connecting a microgenerator are meter related costs, except the meter which the generator pays upfront. As the fixed monthly credit of \$6.15 for USL customers also represents meter related costs, it seems like an appropriate proxy for the remaining meter related costs caused on the distribution system from an embedded renewable microgenerator.

The PWU agrees with Hydro One that the Unmetered Scattered Load ("USL") fixed monthly credit is an appropriate proxy for the remaining meter related costs for an embedded microFIT generator. As Hydro One states in its response to Board Staff Interrogatory #1, applying the USL fixed monthly credit of \$6.15 to microFIT generators maintains a simplified approach that could be applied in a timely manner. The PWU further notes the EDA¹ and Hydro One's² view that experience is needed before costs related to microFIT generators can be determined.

¹ Electricity Distributors Association Response to Vulnerable Energy Consumers Coalition Interrogatory #4b.

² Hydro One Networks Inc. Response to London Property Management Association Interrogatory #3b.

The Canadian Solar Industries Association (“CanSIA”) submits that distribution costs can act as a barrier and deterrent to micro-scale renewable energy projects. Given the Ontario Government’s objective of “fostering the growth of renewable energy projects, which use cleaner sources of energy, and to removing barriers to and promoting opportunities for renewable energy projects and to promoting a green economy” CanSIA argues that “there should be no cost to microFIT generators related to billing, metering, administration and settlement.” CanSIA goes on to state: “In order to meet the objectives of the Ontario Government, the minimal costs to the LDC’s associated with billing, metering, administration and settlement should be socialized into the utility’s electricity rate borne by the entire consumer base”. The PWU submits that should there be a decision that such costs are to be socialized, it ought not to be done through an “individual utility’s electricity rate” but through the Global Adjustment Mechanism. The costs are related to supply sufficiency for the province. Therefore if they are to be socialized, they ought to be collected as a socialized energy supply cost through the Global Adjustment Mechanism rather than a distribution rate so that all customers in Ontario would pay for the socialized costs and not just the distributor’s own customers.

Rate Design

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

The PWU submits that the rate level should be distributor specific to reflect distributor specific costs. The PWU agrees with *EnWin* that a single provincial rate “could jeopardize both full recovery for LDCs and mitigation of unreasonable subsidization among rate classes.”³

A uniform provincial rate may be necessary as a transition default option until a distributor is able to determine its costs related to microFIT generators. A goal of distributor specific rates beyond the transition period provides the flexibility required for each distributor to seek rate adjustments as experience with connected microFIT

³ Enwin Utilities. November 5, 2009, Page 3, Paragraph 1, Lines 3-4.

generators brings to light the true cost of serving these customers and with future changes in the cost of service. Therefore, the PWU agrees with the Electricity Distributors Association's ("EDA") proposal of a two-phase approach towards distributor specific microFIT generator rates.

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?

The PWU agrees with Hydro One's proposed use of a fixed charge that is the equivalent of the fixed charge credit provided to Unmetered Scattered Load ("USL") given that the microFIT generators use the same facilities as the main account for the customer with the exception of a meter. For distributors that currently have an approved USL fixed charge credit, basing its micro-FIT rate on its USL fixed charge credit provides it with a starting point reflective of its own metering costs. This rate can be applied until such time when the distributors have gained the experience with microFIT generators that will allow them to develop cost-based rates from first basis in a cost of service application.

Distributors that do not have an approved USL fixed charge credit could use their cost of service/cost allocation model that forms the basis for their current approved rates, adjusted for any incentive regulation rate adjustment that has been applied to its rates since the approval of the cost of service base rates, to determine their USL fixed charge credit. The PWU agrees with Hydro One's response to OEB staff Interrogatory #1 that this "maintains a simplified approach that could be applied in a timely manner as the proposed fixed charge credit to USL customers was an approved mechanism available for use".

Therefore, the PWU recommends that for a distributor that has an approved USL fixed charge credit the Board provide the option of applying its credit to the microFIT facilities connected to its distribution systems. For those distributors that do not have an approved USL fixed charge credit, the Board could provide them with the option of

developing such a charge to apply to microFIT facilities using the cost of service/cost allocation information that is the bases of their current approved rates. For those utilities that do not choose to apply their approved USL fixed charge credit to microFIT facilities, or that do not choose to develop such a charge, the Board should develop a transitional default rate. The default rate could be determined as proposed by the EDA in its submission:

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. Then, the averages from each line item would be summed to establish the provincial generator customer fixed charge.⁴

CanSIA states: “generators, being home and small building owners in the case of the microFIT Program, already have an existing administration account with the LDC and therefore any additional administrative account should be unnecessary”. The PWU notes that this would appear to be inconsistent with section 1.10 of the Distribution System Code which requires separate accounts for the embedded retail generation and the load:

1.10 Separate Accounts for Embedded Retail Generators

Where an embedded retail generator that has a contract issued under the feed-in-tariff program referred to in section 25.35 of the Electricity Act is connected on the customer side of a connection point (as set out in section 1.9), the distributor shall open a separate account for the embedded retail generator and shall for settlement purposes treat the embedded retail generator as a separate customer, separate and apart from any associated load customer. This rule applies regardless of the electrical configuration of the load and generation meters and regardless of whether the embedded retail generator and the associate load customer are the same person or entity.

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?

⁴ Electricity Distributors Association. November 5, 2009, Page 3, Paragraph 1.

The incentive regulation framework (“IRM”) does not pose any difficulties for the implementation of an existing approved rate to the microFIT facility (i.e. the USL fixed charge credit). Any existing approved rates/credits applied to microFIT facilities would be subject to the incentive regulation framework. However, the PWU submits that the IRM does pose difficulties in the case of a single province-wide default rate. In implementing the province-wide rate a utility has no understanding of how the default rate might compare to its actual costs related to microFIT generators. Likely, for a large number of distributors imposing an efficiency improvement requirement on a province-wide default rate results in imposing an efficiency improvement factor on a rate that already under recovers costs.

These are the comments of the PWU respectfully submitted.