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December 10, 2009

Kirsten Walli
Board Secretary
Ontario Energy Board
27th floor - 2300 Yonge Street
Toronto, ON M4P 1E4

Dear Ms Walli,

microFIT Proceeding

Board File No.: EB-2009-0326

Our File No.: 339583-000058

I am writing as legal counsel for Canadian Manufacturers & Exporters ("CME"). The following are CME's final submissions on the determination of just and reasonable rates to be charged by electricity distributors for the recovery of costs associated with embedded generators having a nameplate capacity of 10kW or less that meets the eligibility requirements of the Ontario Power Authority's ("OPA") microFIT Program. In preparing these comments, we have had the benefit of reviewing the final submissions of the London Property Management Association ("LPMA") and a draft version of the final submissions by the Vulnerable Energy Consumers Coalition ("VECC").

CME's comments will address each of the issues identified in the Final Issues List issued by the Board on October 22, 2009.

Service Classification

CME submits that the description/definition for the embedded micro-generation service classification shown in Appendix D to the Board's October 22, 2009 Decision and Procedural Order No. 2 is appropriate.

Cost Elements to be Recovered

CME shares the concerns of LPMA that, at this time, there is very limited information upon which the Board can properly assess the costs associated with the microFIT Rate Class. In CME's view, the Board does not have the information necessary to consider cost causality on either a province-wide basis or on an LDC-by-LDC basis.

In light of the very limited evidence on the record in this proceeding, it is not possible for the Board to appropriately assess and determine all of the individual cost elements associated with embedded microFIT generators, and further, whether or not those cost elements are equally applicable to all micro-generation customers. It may be that the costs attributable to a micro-

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generator serviced by one LDC are different than the costs attributable to a micro-generator serviced by a different LDC.

The information needed to properly assess the cost elements to be recovered will not be available until the LDCs develop more experience with microFIT generators. For this reason, CME urges to Board to confirm that the cost elements found to be recoverable in this proceeding will only remain in place until adequate information is available to properly assess the issue. If this happens, the costs which underpin the rate or rates approved in this proceeding would be an interim proxy to be relied upon until those costs can actually be fully assessed by the parties. This approach is consistent with the EDA's suggested two-phase approach to the question of whether there should be a uniform rate for all LDCs or whether LDCs should have LDC-specific rates.

If the Board accepts this two-phase approach, then CME supports LPMA's conclusion that Hydro One's proposal to use the fixed charge credit provided to Unmetered Scattered Load ("USL") is an appropriate interim proxy for the costs that will be incurred by distributors when they connect a micro-generator. This appears to be a fair interim proxy because the connection of the micro-generators will use the same facilities as the main account for the customer, with the only incremental facility being a meter that is entirely funded by the micro-generator.

There is one additional issue that CME wishes to raise. Because LDCs will not be required to fund the initial meter installations, LDCs should not be permitted to recover depreciation costs on related metering, and no related costs should be included in the LDCs' debt return, equity return or PILS. CME recognizes that Hydro One has included some of these costs on the basis that it will be obligated to replace meters in the future. So long as the Board accepts the suggested two-phase approach, and recognizing that it is highly unlikely that any meters will need to be replaced before the cost elements approved in this proceeding are revisited in that second phase, the Board does not need to include any of these costs at this time. The extent to which LDCs are entitled to depreciation costs, equity return, debt return and PILS on such costs is something that can be appropriately considered during the second phase.

Rate Design

As a general proposition, rates should to the greatest extent possible reflect the actual costs incurred by each LDC. While a province-wide uniform rate may be administratively easy, it would ignore considerations of cost causality. For this reason, CME urges the Board to reject the creation of a province-wide uniform rate.

For the reasons set out above, CME believes that, at least during the first phase of the proposed two-phase approach, costs should be recovered through a fixed charge which is equivalent to the fixed charge credit provided to USL. This approach would result in the cost structure for each LDC being reflected in the resulting rates.

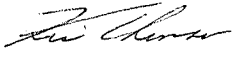
Implementation

CME supports the proposal that the effective date for any new rate or rates created by this proceeding should be the same as the effective date for new rates in 2010. It is CME's understanding that the date is May 1, 2010.

Costs

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

Yours very truly,


for Vincent J. DeRose
VJD/kt

c. Intervenor in EB-2009-0326
Paul Clipsham (CME)

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