

December 24, 2009

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street
Suite 2700
Toronto, ON M4P 1E4

Via RESS and by courier

Dear Ms. Walli:

Re: EB-2009-0326 Notice of a 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

The Electricity Distributors Association (EDA) is the voice of Ontario's electricity distributors. We have reviewed the final submissions to this proceeding and would like to provide some final comments in relation to those submissions that make reference to the initial submission and responses by the EDA members.

Stakeholder Agreement

EDA are pleased to see that all intervenors acknowledged that this new class of customers will result in additional costs to distributors and that LDCs should be able to recover these costs. There was some disagreement with regard to how these costs should be recovered to ensure that distributors are not financially penalized, with CanSIA and ALASI arguing that the generators should not be charged. However, such a position does not follow the principles of cost causality and fairness.

Additionally, there were differences between intervenors regarding a province-wide rate vs LDC-specific rates, or regarding the best "proxy" to use as a charge. However, these differences do not detract from the overall level of agreement regarding the LDCs should be able to recover the additional costs they incur as a result of these new customers. Further, the EDA wishes to make clear that our advocating of a phased approach is specifically and deliberately designed to meet what we understand is the MEI's and OEB's objective for a uniform rate across the province. Our phased approach is intended to meet that objective while at the same time providing the flexibility for consideration of individual LDC rates.

Cost Element Concurrence

On page 5 of its December 10th submission, VECC has shown the significant concurrence between the cost elements proposed by VECC, Hydro One Networks and EDA for inclusion in a fixed charge for microFIT generators. In their analysis of the different submissions, the OEB staff submission also shows concurrence with the EDA, VECC and Hydro One Networks proposals. The EDA believe that the commonalities between the four independently established proposals show the logic and appropriateness of this approach.

In reviewing the different submissions, it is clear that there is agreement between Board staff, VECC, Hydro One Networks and EDA on the following cost elements:

- (1) Customer Premises – Operational Labour
- (2) Customer Premises – Materials and Expenses
- (3) Maintenance Meters
- (4) Meter Reading Expense
- (5) Administration and General

Additionally, Board staff, VECC and EDA agreed upon the following additional elements:

- (6) Customer Billing
- (7) General Plant – Depreciation
- (8) General Plant – Return
- (9) General Plant – PILS

Hydro One Networks used the elements Meters – Depreciation, Meters – Return, Meters – PILS, rather than the General Plant elements.

The 11 cost elements found in the EDA's proposal were included based on the principle of recovery reasonably incurred costs. EDA notes that the intervenors acknowledge that LDCs should be able to recover all reasonably incurred costs as a consequence of these customers. Consequently, in order to ensure that LDCs are not financially penalized by the microFIT program, EDA members support VECC's submission that "possible recovery of costs [not captured in the Board-determined rate] needs to be addressed in a future proceeding."

Inaccurate Assertion

On the last page of its December 10th submission, the Green Energy Coalition asserts that the "EDA acknowledges that its approach would involve a multiplicity of proceedings..." GEC further states that "such proceedings will simply encourage needless studies, needless regulatory costs and "overzealous" additions of staff to support claims of incremental costs." GEC supports this assertion by referencing the EDA's proposal for a two-phase approach to the implementation of the fixed charge, with individual LDCs being able to apply for an LDC-specific charge should circumstances warrant one during the second phase.

It would appear that GEC has not understood the process by which an LDC would make an application to the OEB for an LDC-specific rate for this new class of customers. An application for an LDC-specific rate would be included in the LDC's rate application, just as new rates for

residential customers; general service customers; etc. are included in rate applications now. Consequently, there will be no needless studies, needless regulatory costs or overzealous staff increases.

Conclusion

As previously stated, the EDA members have been active partners in the development and launch the FIT and microFIT programs. The value that these programs will bring to Ontario's electricity system is recognized by the EDA members.

The proposal and submissions from the EDA members have been developed to ensure that microFIT generation customers are encouraged while LDCs are able to recover reasonably incurred costs in providing service to this class of customers.

Yours truly,

“original signed”

Maurice Tucci
Policy Director, Distribution & Regulation