Interrogatories of

Toyota Motor Manufacturing Canada Inc.

to

Erie Thames Powerlines Corporation

EB-2017-0038

August 14, 2018

Toyota IR-1

Issue: Standby Rate Proposal

Reference: Exhibit 8, Tab 15, Schedule 1, Attachment 6 (of 7) Tariff of Rates and Charges - 8-F 2018 Proposed Tariff Sheet – General Service

Preamble: The draft tariff sheet for the General Service 1,000 to 4,999 kW Service Classification includes the following sentence at the end of the introductory paragraph:

> "For those customers who install behind the meter generation they will be billed on a Gross Load basis for the distribution variable charge."

Questions:

1. Please confirm that the phrase "distribution variable charge" is equivalent to, or refers to, the "Distribution Volumetric Rate" (equal to 2.8655 $/kW) noted on the same draft tariff sheet.

2. Are there any other rates and charges included in the reference to the "distribution variable charge" noted above? If so, what are they?

3. Is there a size threshold or, alternatively, a size limit for the behind the meter generation to which the application of gross load billing applies? If so, what are these size thresholds and/or limits?

4. For the purpose of applying the stated policy, does "behind the meter generation" include emergency or back-up generation?

Responses:

1.& 2. ***"Distribution variable charge" means the distribution demand charge of ETPL and the network and connection charges charged by the IESO or Hydro One.***

3. ***The size threshold is 2MW for renewable generation and 1 MW non-renewable generation. The intent is to be consistent with the IESO billing of ETPL.***

4. ***It is not entirely clear what the definition of emergency or back-up generation is being referred to in the question. The DSC includes the following definition:***

"emergency backup generation facility" means a generation facility that has a transfer switch that isolates it from a distribution system;

ETPL assumes the question is referring to generation facilities that operate only during system outages. In that situation, ETPL is not intending to gross load bill.

Toyota IR-2

Issue: Standby Rate Proposal

Reference: ETPL_2018_Cost_Allocation_Model_20180301

Preamble: We understand that the OEB standard cost allocation model allocates costs to different customer classes based on information on the number of customers and demand profile within each rate class.

Questions:

1. Has ETPL made any adjustments to the demand allocators used in the rate model to account for the proposed standby charge? If so, what are these adjustments and for which rate classes have they been made?

2. Has ETPL made any other adjustments to the rate model, not already accounted for in the response to Question a) above, to account for the proposed standby charge? If so, what are these adjustments and for which rate classes have they been made?

3. Please provide the rationale and basis for any adjustments identified in response to Questions 1) and 2) above.

4. In Exhibit 8, Tab 1, Schedule 5, Page 1 of 1, the Test Year Consumption for the General Service Class >1,000 to 4,999 kW is shown as 160,938 kW. Is any of this consumption associated with additional demand to be billed as a result of the proposed Standby Charge? If so, what is the amount of consumption associated with the Standby Charge?

5. In the event that the response to question 4 above is that none of the 160,938 kW volume referenced is associated with the proposed standby charge, does this mean that additional revenue will be earned as a result of the charge that is not currently included in the forecast?

Response:

1. ***ETPL has not made any adjustments to the demand allocators used in the rate model.***

3. ***Not applicable.***

4 ***No.***

5. ***This does not mean additional revenue will be earned as a result. This is ETPL's current expected load excluding behind the meter generation. Behind the meter generation that attracts gross load billing will reduce ETPL's demand billing and will attract gross load billing charges from HONI.***

No. It does not mean that in any event. The intention is to ensure customers without behind the meter generation do not subsidize customers with behind the meter generation in respect of distribution costs and transmission and connection costs.

Toyota IR-3

Issue: Standby Rate Proposal

Reference: Exhibit 7, Tab 1, Page 1 of 14, Lines 19-20

Preamble: ETPL indicates that it wants to include a standby rate "in order to ensure that it is kept whole" with respect to transmission network and connection fees charged to ETPL by Hydro one for all embedded generation**.**

Questions:

1. Given that transmission network and connection fees paid to Hydro One are recovered through Retail Transmission Rates, including both the Network Service Rate and Line and Transformation Connection Service Rate, please explain why the need to be kept whole with respect to network and connection fees paid to Hydro One is relevant to the approach used to calculate and apply ***distribution*** variable charges given that such charges are designed to recover ETPL's own costs.

2. If ETPL wishes to be kept whole with respect to network and connection fees paid to Hydro One, would it consider instead simply using a Gross Load basis to charge Retail Transmission Rates (including both the Network Service Rate and for the Transformation Connection Service Rate)? If ETPL would not consider billing such charges on a Gross Load basis, please outline the rationale for this decision.

3. Has ETPL taken into account recent decisions in which the Ontario Energy Board considered the use of gross load billing for RTS charges? See for example, Decision and Rate Order EB-2017-0064 at pp. 11-12. If not, why not?

4. ETPL has not specifically noted that it needs to charge a standby tariff in order to recover any costs incurred on its own system to provide standby power. ETPL only references fees paid to Hydro One. Please clarify the role, if any, of costs incurred by ETPL in its own operations in the request to apply a standby charge.

5. Has ETPL done any analysis of the costs incurred to provide standby power, other than of those costs associated with fees charged by Hydro One? If so, can ETPL please provide this analysis?

Responses:

1. ***ETPL acknowledges that the language used may not have been a precise as it should have been. ETPL's intent is that the distribution demand charge be billed for consumption from the distribution system and for behind the meter generation (subject to the thresholds discussed earlier). ETPL submits that without standby charges ETPL's remaining customers will pay for the incremental network and connection fees charged by HONI where the cause for the incremental charges is known to be a direct result of specific behind the meter generation customer. It is the remaining customers of ETPL that need to be protected from paying costs that are directly attributable to a specific customer.***

2. ***See 1. Above. ETPL is not sure that there is a difference in this regard to what it proposes to include in its tariff sheet, subject to the thresholds for renewable and non-renewable generation.***

3. ***ETPL would note that the decision in the case referenced was decided on March 18, 2018, almost 7 months after initial filing with the OEB. To prepare its response herein, ETPL reviewed the referenced decision, which was an IRM application, wherein the Board ordered the Applicant to continue with the status quo. ETPL does not view this decision as providing precedential value regarding the issue of how stand-by or behind the meter generation should be billed.***

4. ***ETPL recognize that the question of billing distribution charges however, if a customer is to be billed demand on a gross load basis then presumably the variable distribution charges would be gross load billed as well.***

5. ***ETPL has not done an analysis other than understanding if a customer is forecast in rates at one demand level and generation reduces that then the LDC is not recovering its revenue***

requirement from that customer.

Toyota IR-4

Issue: Standby Rate Proposal

Reference: Exhibit 8, Tab 1, Schedule 3 and Exhibit 8, Tab 15, Schedule 1, Attachment 6 (of 7) Tariff of Rates and Charges - 8-F 2018 Proposed Tariff Sheet – General Service

Preamble: The 2018 proposed variable rate for the General Service > 1,000 to 4,999 kW is shown on Schedule 3, Table 8-7, as $2.7400 per KW, whereas the proposed tariff sheet in Attachment 6 shows a General Service (1,000 to 4,999 service classification) distribution volumetric rate of $2.8655 per kW.

Questions:

1. Please provide an explanation for the difference in rates noted above.

Response:

1.	***The numbers should be the same.***

Toyota IR-5

Issue: Standby Rate Proposal

Reference: Exhibit 7, Tab 1

Preamble: In Exhibit 7, (see Tab 1, Page 2 of 14, Lines 4-5), ETPL indicates that it is appropriate to set a standby charge that is equal to the variable charge proposed for the rate class in which the customer with self-generation will reside. It further notes (Lines 8-12) that:

> "this treatment is appropriate as it allows for further promotion of generation in the scope of the Green Energy initiatives, without causing a rate disincentive to the customer, and ensuring that remaining customers do not pick up the cost incurred for Gross Load Billing through Deferral and Variance accounts."

Questions:

1. Please confirm that a customer billed on the basis of gross load will see no reduction in distribution charges as a result of the installation of behind the meter generation. If you cannot confirm this, please explain your answer.

2. If, as a result of the use of gross load billing, a customer sees no reduction in its distribution tariff from the installation of behind the meter generation, this would appear to provide no incentive from the perspective of its distribution charges to install such generation. Please therefore explain how the proposed billing treatment "allows for further promotion of generation in the scope of the Green Energy initiatives, without causing a rate disincentive to the customer".

Response:

1. ***See Toyota IR- 1(3). Assuming that the customer is above the threshold, and all other things constant, the distribution charge portion of a monthly bill will not change.***

2. ***See Toyota IR- 1(3). The savings for customers below the threshold would be available and promotion of generation on that scale would***

be incented by savings. Also, note gross load billing does not apply to all line items on a bill so other items will result in savings for the customer. Further, there may be environmental or other incentives that are available to customers.

Toyota IR-6

Issue: Standby Rate Proposal

Reference: Exhibit 8, Tab 4, and Exhibit 8, Tab 15, Schedule 1, Attachment 6 (of 7) Tariff of Rates and Charges – 8-F 2018 Proposed Tariff Sheet – General Service

Preamble: In Exhibit 8, Tab 4, Page 4 of 4, the "RTSR Connection Rate" for the Customer Class "GS>1,000 to 4,999" is shown as $1.9475. However, on the draft tariff sheet for the General Service 1,000 to 4,999 kW Service Classification, the "Retail Transmission Rate – Line and Transformation Connection Service Rate" is shown as $1.9479.

Questions:

1. Should the two values noted above be the same? If yes, please indicate which value is correct. If "no", please explain why the two values should and do differ.

Response:

1. ***The two values should be the same.***

Toyota IR-7

Issue: Standby Rate Proposal

Reference: Exhibit 7 – Section 7.2.3 Standby Rates

Preamble: It appears that the proposed design for a standby charge does not provide any incentive for the customer to minimize the duration and timing of outages of its load displacement generation, or to otherwise minimize its load on the distribution system, given that bills will be calculated on the basis of gross load and will therefore not take into account any contribution to meeting load by the customer's behind the meter generation.

Questions:

1. Please confirm that there are no incentives provided under ETPL's proposed tariff structure to minimize outages of load displacement generation. If you cannot provide confirmation that there are no incentives to minimize the frequency and duration of such outages under the proposed tariff structure, please explain how such incentives are included or arise under the tariff structure that has been outlined.

2. Given the lack of incentives noted in Question 1 above to minimize outage duration or frequency, please explain why ETPL's proposed rate structure is appropriate or meets utility standards for good rate design.

Response:

1. ***It is unclear what is meant by the question. The operation of load displacement generation is the responsibility of the customer.***

   If the question is referring to outages of the distribution system, ETPL tries to minimize outages of the distribution system for all customers. Minimization of outages is good operating practice and something ETPL continually strives to improve.

2. ***See Toyota IR-7(1) above. ETPL noted that other distributors have approved standalone rates or billing approaches so the request is not novel. There are many elements to be considered in setting***

"just and reasonable rates". ETPL has indicated that its approach reduces the potential for customers without behind the meter generation to subsidize customers with behind the meter generation. It also serves the fair return standard for the distributor.

Toyota IR-8

Issue: Standby Rate Proposal

Reference: Exhibit 7, Tab 1

Preamble: In Exhibit 7 (Tab 1, Page 2 of 14, Lines 4-8), ETPL notes:

> "For this Application, ETPL proposes that it is appropriate to set a standby charge that is equal to the variable charge proposed for the GS>1,000 to 4,999 kW rate class…This treatment is consistent with a recent decision under similar circumstances in Horizon Utility's 2015 Cost of Service filing (EB-2014-0002)."

We further note that ETPL proposes to apply its Standby Charge through the use of a gross load billing approach. In the tariff sheet for Standby Power approved in EB-2015-0061, in contrast, Horizon indicates that its Standby Power rate will be applied to the "amount of reserved load transfer capacity contracted or the amount of monthly peak load displaced by a generating facility".

Therefore, although the structure of standby tariffs appears similar between Horizon and ETPL, in that standby rates are set to equal the base distribution tariff, the basis of application of these tariffs does not necessarily appear to be equivalent. For example, Horizon indicates that the rate may be applied to the amount of reserved load transfer capacity contracted.

Questions:

1. Please indicate ETPL's rationale for the gross load billing approach and for not providing for its rate to be applied to "the amount of reserved load transfer capacity".

2. In ETPL's view, which approach (a charge applied to the amount of reserved load transfer capacity or a charge applied to the gross load) provides the greatest benefit to a customer in terms of flexibility, ability to manage its costs, and incentives to manage generation in an efficient manner? Please explain.

3. What other approaches, if any, did ETPL consider for structuring the standby tariff and what was the rationale for rejecting these other approaches?

4. Given that the basis of application of standby tariffs appears to differ between ETPL and Horizon, how can the proposed charge be said to be "consistent"?

Response:

1. ***As noted, ETPL does not currently bill any customer on reserved load transfer capacity. In ETPL's view, its proposed approach captures the actual usage by the customer. It is fair in respect of conservation initiatives the customer may undertake that reduce demand other than through generation.***

2. ***See Toyota IR-9(2).***

3. ***ETPL focused on gross load billing only as it has become a more frequent issue within its customer base.***

4. ***See Toyota IR-9(3).***

Toyota IR-9

Issue: Standby Rate Proposal

Reference: Exhibit 7, Tab 1

Preamble: In Exhibit 7 (Tab 1, Page 2 of 14, Lines 4-8), ETPL notes:

> "For this Application, ETPL proposes that it is appropriate to set a standby charge that is equal to the variable charge proposed for the GS>1,000 to 4,999 kW rate class…This treatment is consistent with a recent decision under similar circumstances in Horizon Utility's 2015 Cost of Service filing (EB-2014-0002) and Entegrus' 2016 Cost of Service Filing (EB-2015-0061)."
>
> We further note that ETPL proposes to apply its Standby Charge through the use of a gross load billing approach. In the tariff sheet for Standby Power approved in EB-2015-0061, in contrast, Entegrus indicates that its Standby Power rate will be applied to the "amount by which the amount of load transfer capacity contracted by a facility exceeds the actual demand". In other words, the Standby Tariff will be applied to any shortfall, if any, between contracted load transfer capacity and actual net demand observed in the month. More specifically, the tariff will not be applied to gross load.
>
> Although the structure of standby tariffs appears similar between Entegrus and ETPL, in that standby rates are set to equal the base distribution tariff, the basis of application of these tariffs is therefore clearly different.

Questions:

1. Please indicate ETPL's rationale for the gross load billing approach and for not providing for its rate to be applied to the difference between the contracted amount of load transfer capacity and observed net demand.

2. In ETPL's view, which approach (a charge applied to the difference between contracted load transfer capacity and actual net demand, or a charge applied to the gross load) provides the greatest benefit to a

customer in terms of flexibility, ability to manage its costs, and incentives to manage generation in an efficient manner? Please explain.

3. Although ETPL cites Horizon and Entegrus as providing precedents for ETPL's proposed rate design, it does not appear that the approach to applying the standby rate is similar across the three utilities. Given this lack of consistency in application, please explain how the proposed rate design can be considered to be consistent.

Response:

1. ***ETPL does not currently bill any customers solely on contracted demand. ETPL viewed this as a more straightforward approach that reflected the actual customer total demand. Using a contracted demand may impact customers that have temporary shutdowns or are undertaking other conservation initiatives.***

2. ***In terms solely of flexibility, ETPL would view the gross load billing approach as more flexible.***

3. ***ETPL its request, not as something novel, but rather as consistent in that the Board had approved charges in respect of behind the meter generation. Further, ETPL views the consistency is in terms of trying to reduce the real and potential cross-subsidization between customers and customer classes. ETPL acknowledges that there may be differences in the fine details of the approach of each distributor.***