



BY E-MAIL

February 22, 2019

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

Dear Ms. Walli:

**Re: Energy+ Inc. (Energy+)
2019 Cost of Service Application
Ontario Energy Board (OEB) File Number EB-2018-0028**

OEB staff notes that an issue with respect to embedded distributor cost allocation methodology was raised well into the discovery stage of the above noted proceeding in questions filed before the technical conference held on January 23-24, 2019. One intervenor, the Vulnerable Energy Consumer Coalition (VECC), requested that Energy+ run a scenario analysis in which costs would be allocated to embedded distributors differently from Energy+'s proposed methodology.¹ To understand the issue, staff reviewed Energy+'s previous rates applications and found that:

- In Cambridge and North Dumfries (CND) Hydro 2008 IRM Rate Application, CND proposed to use Schedule 10.7 of the 2006 Electricity Distribution Rates (EDR) Handbook to determine rates for embedded distributors. A revised and enhanced version of Schedule 10.7 was approved in that proceeding to determine embedded distributor rates;² and
- In CND's 2014 Cost of Service application, parties agreed to use the direct allocation feature in the cost allocation model for embedded distributor cost allocation.³

¹ EB-2018-0028, VECC-TCQ-69

² Cambridge and North Dumfries (CND) Hydro 2008 IRM Application, EB-2007-0900, Decision and Order, August 15, 2008, page 4

³ EB-2013-0116, settlement proposal, page 16

In the current application, Energy+ proposes to use the information from Schedule 10.7 (now Appendix 2-Q in the Chapter 2 Filing Requirements) as the basis to allocate costs to embedded distributors. Staff is of the view that Energy+'s proposed methodology is consistent with the methodology settled and approved in its 2014 Cost of Service application.

The OEB's policy on electricity distribution cost allocation policy, including the allocation of host distributor costs to embedded distributors, is set out in its 2011 Report ⁴ which states that:

"The Board is of the view that the methodology outlined in Schedule 10.7 of the 2006 EDR Handbook, as updated in proceeding EB-2007-0900 referred to above, provides an appropriate basis for estimating the costs to be allocated to an embedded distributor customer class. That methodology considers the portion of the host distributor's Low Voltage ("LV") facilities that are used to serve the embedded distributor, as well as the proportion of the load on those facilities that is bound for the embedded distributor's service area.

As the issue of cost allocation to embedded distributors has been reviewed and decided in Energy+'s previous applications, and an alternative methodology was not indicated in Energy+'s application or the Notice of Application, OEB staff is concerned that embedded distributors that could be affected by an alternative cost allocation have not received sufficient notice. OEB staff therefore requests direction from the panel whether the alternative embedded distributor cost allocation raised by VECC, is within the scope of the upcoming oral hearing.

OEB staff notes that one of the embedded distributors in Energy+ service territory, Waterloo North Hydro, is not an intervenor in the current proceeding and may not be aware of any allocation methodology that is different from what was established in previous decisions, and the potential rate impact. If the OEB decides to consider an alternative cost allocation for embedded distributors, notification to Waterloo North Hydro would be necessary.

Yours truly,

Original Signed By

Shuo Zhang
Advisor, Major Applications

c. Parties in EB-2018-0028

⁴ Report of the Board, EB-2010-0219, March 31, 2011, page 31