



Energy+ Inc.

**Application for electricity distribution rates and
harmonizing rates and charges in the Cambridge and
North Dumfries and Brant County service areas
beginning January 1, 2019**

**DECISION ON EMBEDDED DISTRIBUTOR COST ALLOCATION
March 4, 2019**

Introduction

Energy+ Inc. (Energy+) filed a cost of service application with the Ontario Energy Board (OEB) on April 30, 2018 under section 78 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B), seeking approval for changes to the rates that Energy+ charges for electricity distribution, to be effective January 1, 2019.

OEB staff filed a letter dated February 22, 2019 bringing to the OEB's attention an issue pertaining to an alternative cost allocation methodology for embedded distributors. In the letter, staff stated that the Vulnerable Energy Consumer Coalition (VECC) requested that Energy+ prepare a cost allocation scenario for allocating costs to the embedded distributor classes using an alternative methodology to the one proposed in Energy+'s evidence. Energy+ provided this alternative methodology in response to an undertaking at the technical conference.¹

OEB staff raised concerns about whether the alternative cost allocation methodology should fall within the scope of the upcoming oral hearing, as some of the affected embedded distributors may not have received sufficient notice. OEB staff also stated that Energy+'s proposed methodology is consistent with the methodology settled and approved in its 2014 cost of service application.

VECC filed a reply on February 25, 2019 in which it disagreed with OEB staff's position on the need to provide additional notice to indirectly or directly affected parties who have decided not to participate in the proceeding. VECC stated that the use of the

¹ VECC-TCQ-69, part a

alternative cost allocation methodology is reasonable and, indeed, reflected the OEB's current practice.

The School Energy Coalition (SEC) and the Consumers Council of Canada (CCC) also replied to OEB staff's correspondence on February 25, 2019. SEC stated that past decisions are not binding on OEB panels and it was not convinced that the methodology raised in the VECC technical conference question is a departure from OEB policy. SEC suggested that the OEB should not limit or modify the scope of Issue 3.2 (Are the proposed cost allocation methodology, allocations and revenue-to-cost ratios appropriate?). CCC also recommended that the alternative cost allocation issue should be within scope.

By letter dated February 27, 2019, Energy+ agreed with OEB staff that the company has been consistent with regards to the allocation of costs to the embedded distributor classes, when compared to the methodology used in the 2014 cost of service proceeding. With respect to providing proper notice to embedded distributors, Energy+ reiterated the steps it had taken in adhering to the OEB's notification requirements. Energy+ did not agree it was necessary to provide additional notice to Waterloo North Hydro (WNH) (one of the affected embedded distributors who is not an intervenor) due to questions that came up during the technical conference. However, as a cautionary measure, Energy+ did notify WNH of the current issue by sending the relevant letters and evidence. Energy+ provided a response from WNH dated February 27, 2019 in which WNH confirmed that it does not wish to intervene in this proceeding but expressed its strong disagreement with the alternative cost allocation methodology raised by VECC.

Hydro One Networks Inc. (Hydro One) filed its comments on February 28, 2019 and stated that the alternative approach to cost allocation for embedded distributors would be a significant departure from previous OEB decisions and the OEB's 2011 *Report of the Board: Review of Electricity Distribution Cost Allocation Policy* (the OEB's 2011 Report)². Further, Hydro One stated that the deviation from the proposed methodology may affect other host utility's end-use customers directly, and there would be a lack of procedural fairness in the process for any stakeholder interested in participating. Hydro One asked the OEB to determine that the alternative methodology is out of scope and suggested allowing interested stakeholders an opportunity to address any changes in cost allocation policy as part of a broader OEB consultation.

² EB-2010-0219

Findings

The OEB notes that the issue of an alternative methodology for embedded distributor cost allocation was raised relatively late in the current proceeding. Parties may require additional procedural steps to understand the methodology and the resulting rate impacts, which would lead to the expansion of, and further delays to, the current proceeding. Further, the OEB notes that the issue of cost allocation for embedded distributors is applicable to many utilities and therefore may have potentially broader implications than simply the resolution of the issue in this proceeding. The methodology employed by Energy+ in its application is taken from the OEB's 2011 Report which is incorporated into Appendix 2-Q in Chapter 2 of the Filing Requirements³, providing direction on how to allocate costs to embedded distributors, applicable to all utilities. This existing methodology was also used to derive cost allocation arising from the model for the embedded distributor classes in Cambridge and North Dumfries Hydro's 2014 cost of service application⁴.

The OEB agrees with VECC, SCE and CCC that the Filing Requirements and the previous use of an existing model derived therefrom do not preclude the OEB from considering alternatives that may generate more just and reasonable rates. In addition, the issue of cost allocation in this proceeding has been broadly framed and could encompass consideration of a different model for allocation of embedded distributor costs. However, given the existence of the Filing Requirements and the history of the previous resolution of this issue, the OEB is not satisfied that the process for notification and enabling participation of all affected stakeholders at this stage of this proceeding has been sufficient to ensure a fair adjudication of the proposed change in methodology.

In these circumstances, the OEB finds that consideration of the adoption of a proposed alternative embedded distributor cost allocation methodology is out of scope in this proceeding. However, the OEB requests that parties provide in their final submissions their recommendations as to the consideration and possible adjudication of this issue by the OEB on a going forward basis.

All filings to the OEB must quote the file number, EB-2018-0028, be made in searchable / unrestricted PDF format electronically through the OEB's web portal at <https://pes.ontarioenergyboard.ca/eservice/>. Two paper copies must also be filed at the OEB's address provided below. Filings must clearly state the sender's name, postal

³ Filing Requirements For Electricity Distribution Rate Applications, Chapter 2, Cost of Service, July 12, 2018

⁴ EB-2013-0116

address and telephone number, fax number and e-mail address. Parties must use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at <http://www.oeb.ca/OEB/Industry>. If the web portal is not available, parties may email their documents to the address below. Those who do not have internet access are required to submit all filings on a USB flash drive in PDF format, along with two paper copies. Those who do not have computer access are required to file 7 paper copies. All communications should be directed to the attention of the Board Secretary at the address below, and be received no later than 4:45 p.m. on the required date.

With respect to distribution lists for all electronic correspondence and materials related to this proceeding, parties must include the Case Manager, Shuo Zhang at Shuo.Zhang@oeb.ca and OEB Counsel, Ljuba Djurdjevic at ljuba.djurdjevic@oeb.ca.

ADDRESS

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4
Attention: Registrar

E-mail: boardsec@oeb.ca
Tel: 1-888-632-6273 (Toll free)
Fax: 416-440-7656

DATED at Toronto, **March 4, 2019**

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary