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Ontario

BY E-MAIL

April 5, 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
OEB File Number EB-2018-0028
OEB Staff Submission

Please find attached OEB staff's supplementary submission for Energy+'s 2019 Cost of Service Application.

Energy+ and all intervenors have been copied on this filing.

Yours truly,

Original Signed By

Shuo Zhang

Project Advisor, Major Applications

Encl.

2019 COST OF SERVICE APPLICATION

ENERGY+ INC.

EB-2018-0028

OEB STAFF SUPPLEMENTARY SUBMISSION

APRIL 5, 2019

INTRODUCTION

Energy+ Inc. (Energy+) filed a complete application with the Ontario Energy Board (OEB) on April 30, 2018 seeking approval for changes to the rates that Energy+ charges for electricity distribution, to be effective January 1, 2019. The OEB issued an approved issues list for this proceeding on October 31, 2018.

Energy+ filed its argument-in-chief on March 15, 2019. OEB staff, Consumers Council of Canada (CCC), Hydro One Networks Inc. (Hydro One), School Energy Coalition (SEC), Toyota Motor Manufacturing Canada Inc. (TMMC), and Vulnerable Energy Consumers Coalition (VECC) (the Parties) filed submissions on March 29, 2019.

Parties reached an agreement on procedural steps during the oral hearing, which includes a second round of submission.[1] OEB staff and intervenors have an opportunity to comment on submissions of other Parties. In this submission, OEB staff will not repeat its position on all the unsettled issues but will further address the following two issues:

I. 3.2 Cost Allocation
   a. Embedded Distributor Cost Allocation
II. 3.7 Standby Charge

I. Issue 3.2 Cost Allocation

a. Embedded Distributor Cost Allocation

Background

Energy+ proposed to use the direct allocation feature in the cost allocation model by entering information from Appendix 2-Q in Chapter 2 of the Filling Requirements[2] into the cost allocation model. Energy+ noted that Appendix 2-Q determines a percentage of the total Energy+ costs to be allocated to each embedded distributor.[3] Energy+ stated that by entering the percentage into the

[1] Oral Hearing, Day 2, pp. 131-132.
[2] Ontario Energy Board *Filing Requirements For Electricity Distribution Rate Applications – 2018 Edition for 2019 Rate Applications- Chapter 2,* (Filing Requirements).
[3] 7-VECC-47.

cost allocation model, by design the model adds the appropriate administrative costs, an allocation of rate of return on rate base and payment in lieu of taxes.[4]

An alternative approach of allocating costs to embedded distributors as though they were general service customers was raised by VECC in the technical conference.[5]

In its decision dated March 4, 2019, the OEB determined that the alternative methodology raised by VECC is out of scope in this proceeding.[6] The OEB requested Parties to provide their recommendations as to the consideration and possible adjudication of the embedded distributor cost allocation issue on a going forward basis.

OEB Staff Submission

OEB staff submits that this issue is applicable to many distributors. This matter can best be considered at the time of the OEB's next cost allocation policy review. In the meantime, the current cost allocation methodology and model have the capability and adaptability to implement reasonable allocation proposals for embedded distributors.

II. Issue 3.7 Standby Charge

Background

Concerns with the Standby proposal made by Energy+ have been filed by SEC,[7] VECC,[8] and TMMC.[9] SEC[10] and VECC[11] have also expressed concerns with TMMC's proposal. In light of their concerns with both Energy+'s and TMMC's proposals, SEC[12] and VECC[13] submitted that neither proposal should be accepted. Instead, they propose that standby charges should not be implemented until a standard policy is available, a policy which is anticipated to

[4] VECC-TCQ-66.
[5] VECC-TCQ-69.
[6] Decision on Embedded Distributor Cost Allocation.
[7] SEC Submission, pp. 9-11.
[8] VECC Submission, pp. 31-32.
[9] TMMC Final Argument, pp. 22-23.
[10] SEC Submission, pp. 11-13.
[11] VECC Submission, pp. 32-33.
[12] SEC Submission, page 13.
[13] VECC Submission, page 33.

result from the OEB's Rate Design for Commercial and Industrial Consultation (C&I Consultation).

Among TMMC's concerns with Energy+'s standby proposal is the adjustment to the cost allocation coincident peak (CP) and non-coincident peak (NCP) demand allocators of the Large Use (LU) rate class to reflect standby capacity. TMMC stated: "The demand allocation factors (12CP, 4NCP and 12NCP) for the LU class are overstated because they do not reflect the LU class' actual load characteristics, as derived from Energy+'s load profile demands for the LU class."[14]

OEB Staff Submission

OEB staff notes that while a Staff Report to the Board has been filed in the C&I Consultation,[15] a timeline for the development of a policy, as well as the content of any policy, resulting from the consultation is unknown.

OEB staff also notes that in the absence of an approved standby rate in this proceeding, TMMC and potentially other customers with Load Displacement Generation would be receiving the benefit of standby service at a cost borne by other customers of Energy+.[16]

OEB staff submits that a standby charge is appropriate at this time and, as noted in its submission filed on March 29, 2019, OEB staff supports the Energy+ proposal for standby charges until its next rebasing application or until such time as the OEB may opine on the applicability and timing of any generic standby charge policy going forward.[17]

OEB staff notes that it is the OEB's policy that costs are allocated to rate classes on the basis of cost drivers, and that these include CP and NCP allocators.[18] The premise of a standby service is that capacity is reserved on the system to serve the customer in case the customer's generation facility experiences an outage.

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[14] TMMC Final Argument, page 11.
[15] EB-2015-0043, Staff report the Board: Rate Design for Commercial and Industrial Electricity Customers, February 21, 2019.
[16] Oral Hearing, Day 1, page 22.
[17] OEB Staff Submission pp. 30-31.
[18] EB-2007-0667, Report of the Board: Application of Cost Allocation for Electricity Distributors, November 28, 2007, page 5.

Therefore, demand allocators are adjusted above the metered demand to reflect the additional capacity that is standing by. In the context of Energy+'s standby proposal, OEB staff is of the view that a charge that inherently reflects this adjustment is not unreasonable.

All of which is respectfully submitted