



Ontario
Energy
Board | Commission
de l'énergie
de l'Ontario

DECISION AND ORDER

EB-2019-0279

**2020 RENEWABLE GENERATION
CONNECTION RATE PROTECTION
COMPENSATION AMOUNT**

EFFECTIVE JANUARY 1, 2020

BY DELEGATION BEFORE: Theodore Antonopoulos

January 30, 2020

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1 INTRODUCTION AND SUMMARY

Subsection 79.1 (1) of the *Ontario Energy Board Act, 1998* (the Act) states that the Ontario Energy Board (OEB) may provide Renewable Generation Connection Rate Protection (RGCRP) compensation amounts to eligible distributors. Ontario Regulation 330/09 (the Regulation) prescribes the methodology which the OEB uses to determine the amount to be collected for any given year.

Ontario distributors are required to plan their systems based on their expectations of new electricity generation projects connecting to their systems. Based on their plans, distributors may apply to the OEB for funding to recover the cost of assets to enable and to connect generators to their distribution systems, including generators using renewable sources of energy such as wind or solar. The OEB then takes steps to ensure that all Ontario customers, not just the ratepayers of the individual distributor, contribute to the costs of investments to connect renewable generators in accordance with applicable legislation.

The OEB determines the eligibility of the connection investment made by each distributor in their distribution rate decisions and issues an order to the Independent Electricity System Operator (IESO) to collect and disburse specific amounts based on the approved entitlements. These decisions are made pursuant to the Regulation. The OEB has issued these decisions since May 1, 2010. The latest such decision was issued on January 24, 2019¹, effective January 1, 2019, providing eight distributors with funding.

This Decision and Order (Decision) provides an updated order to the IESO regarding the amounts to be collected from all market participants and remitted to eligible distributors. In addition to continuing the applicable funding amounts ordered for two distributors (Fort Frances Power Corporation and Welland Hydro-Electric System Corp.) in the January 24, 2019 decision and order, this Decision amends the previously ordered amounts to reflect decisions regarding six distributors: Alectra Utilities Corporation (Alectra, in respect of its Enersource, PowerStream and Brampton rate zones); Peterborough Distribution Inc. (Peterborough Distribution); Kitchener-Wilmot Hydro Inc. (Kitchener-Wilmot Hydro), Toronto Hydro-Electricity System Limited (Toronto Hydro); Elexicon Energy Inc. - Veridian service area; and Waterloo North Hydro Inc.

¹ EB-2018-0295, January 24, 2019.

The OEB reminds the distributors who receive the payments to follow the regulatory accounting set out in the Accounting Procedures Handbook Guidance issued in March 2015. Specifically, the distributors should use Account 1533 - Renewable Generation Connection Funding Adder Deferral Account, Sub-account Provincial Rate Protection Payment Variances, to record the variance between the distributor's revenue requirement associated with the portion of the actual capital and/or operating costs that are eligible for rate protection and the provincial rate protection payments as approved by the OEB and received from the IESO.

2 THE PROCESS

The OEB has made its determination of the compensation amount, effective January 1, 2020, to be collected by the IESO in accordance with the Regulation and the requirements of the Act. The Regulation prescribes the methodology that the OEB uses to determine the amount to be collected for any given year.

The total amount to be collected by the IESO effective January 1, 2020 is derived from previous decisions of the OEB in which compensation amounts were determined for qualifying distributors.² The findings in this Decision involve only the implementation of findings in previous rates decisions subject to certain mechanistic adjustments where applicable. This Decision is being issued by delegated authority, without a hearing, under subsection 6(4) of the Act.

² EB-2012-0160, EB-2013-0130, EB-2013-0147, EB-2013-0174, EB-2015-0108, EB-2016-0110, EB-2018-0165 and EB-2019-0018.

3 2020 COMPENSATION AMOUNT AS OF JANUARY 1, 2020

The OEB has determined the amount to be distributed to the eligible distributors by the IESO as of January 1, 2020 is \$196,837 per month. This Decision extends amounts reflected in the OEB's previous decisions and orders that persist for the current year, and includes amended compensation amounts in accordance with subsequent decisions.³

Amended amounts are:

For **Alectra – PowerStream**: an amended recovery of \$256,894 for January 1, 2020 (Partial Decision and Order, dated December 12, 2019⁴):

- The monthly amount of \$21,408 is derived by dividing the 2020 annual recovery of \$256,894 by 12 months, for the rate year starting January 1, 2020.

For **Alectra – Enersource**: an amended recovery of \$160,560 for January 1, 2020 (Partial Decision and Order, dated December 12, 2019⁵):

- The monthly amount of \$13,380 is derived by dividing the 2020 annual recovery of \$160,560 by 12 months, for the rate year starting January 1, 2020.

For **Alectra – Brampton**: an amended recovery of \$143,160 for January 1, 2020 (Partial Decision and Order, dated December 12, 2019⁶):

- The monthly amount of \$11,930 is derived by dividing the 2020 annual recovery of \$143,160 by 12 months, for the rate year starting January 1, 2020.

For **Waterloo North Hydro Inc.**: an amended recovery of \$8,698 for January 1, 2020 (Decision and Rate Order, dated November 26, 2015⁷):

- The monthly amount of \$725 is derived by dividing the 2020 annual recovery of \$8,698 by 12 months, for the rate year starting January 1, 2020.

³ *Ibid.*

⁴ EB-2019-0018, December 12, 2019.

⁵ *Ibid.*

⁶ *Ibid.*

⁷ EB-2015-0108, November 26, 2015.

For **Toronto Hydro**: an amended recovery of \$1,448,698 for January 1, 2020 (Draft Rate Order dated January 21, 2020⁸):

- The monthly amount of \$120,725 is derived by dividing the 2020 annual recovery of \$1,448,698 by 12 months, for the rate year starting January 1, 2020.

Any variance between the RGCRP amount ordered in this Decision and the amount approved in Toronto Hydro's final rate order will be trued up in the OEB's 2021 Reg. 330/09 decision and order.

Three distributors (Peterborough Distribution, Kitchener-Wilmot Hydro and Elexicon Energy Inc.) filed letters with the OEB to provide updated requests for the 2020 RGCRP compensation amounts.

Peterborough Distribution

Peterborough Distribution last rebased in 2013 and the OEB approved the provincial rate protection payments for 2013 to 2017 in the 2013 CoS decision and order. Peterborough Distribution obtained OEB approval for its request to defer the filing of a CoS rate application for its 2018-2020 distribution rates. According to the OEB's filing requirements, a distributor should provide an update to the rate protection amount for the test year and beyond for approved renewable investments in its CoS application, subject to the materiality threshold.⁹ As a result of the deferrals of Peterborough Distribution's CoS applications in 2018 and 2019 the updated rate protection amounts were not available.¹⁰ As a result, the OEB continued to use the approved 2017 monthly payments from Peterborough Distribution's 2013 CoS decision and order in the 2018 and 2019 Reg. 330/09 decisions and orders.

In a letter dated December 12, 2019, Peterborough Distribution made an amended request for a \$1,016 monthly payment for 2020 (a reduction from the previously approved monthly amount of \$1,065) in order to capture the impacts of declining net book value due to the passage of time. Peterborough Distribution also provided the updated amounts for 2018 and 2019.

⁸ EB-2018-0165, Draft Rate Order, January 21, 2020. The relevant investments were approved in Toronto Hydro's CoS Decision and Order EB-2018-0165.

⁹ Chapter 2 of 2019 Filing Requirements, page 22.

¹⁰ The timing of Peterborough Distribution's next CoS application may be dependent on the outcome of its merger and acquisition application (EB-2018-0242) before the OEB for Peterborough Distribution to transfer its assets to Hydro One Networks Inc.

Kitchener-Wilmot Hydro

In a letter to the OEB dated December 13, 2019, Kitchener-Wilmot Hydro requested a 2020 provincial payment of \$106,499 (\$8,875 per month) for the two renewable investments that were approved in the 2014 CoS decision and order¹¹. This includes an incremental OM&A amount to the capital costs originally approved in the 2014 proceeding, in order to capture incremental OM&A expenses for prior years. Kitchener-Wilmot Hydro was receiving the monthly payments from the IESO that captured only the revenue requirement impact of the original capital cost of the renewable investments. Kitchener-Wilmot Hydro stated in the letter that:

In KWHI's 2020 Cost of Service Application (EB-2019-0049), KWHI requested an amount for incremental OM&A expenses (see Exhibit 2 section 2.10 page 71). Inadvertently, KWHI missed requesting the continued operating expenses of the renewable generation assets previously approved in the 2014 application.

At this time, KWHI confirms that it has not moved the renewable generation assets approved in the 2014 Cost of Service to rate base and is therefore requesting rate protection for operating expenses for these assets previously approved.

Ellexicon Energy Inc. – Veridian service area (Veridian)

Veridian last rebased in 2014 and the OEB approved the provincial rate protection payments for 2014 to 2018 for three renewable investments. Veridian obtained the OEB's approval for its request to defer the filing of a CoS rate application for 2019 distribution rates. At end of 2018, the OEB further approved a consolidation between the former Veridian Connections Inc. and Whitby Hydro Electric Corporation and allowed a ten-year deferred rebasing for the amalgamated company.¹²

Pursuant to the OEB's filing requirements, a distributor should provide an update to the rate protection amount for the approved renewable investments for the test year and beyond in its CoS application, subject to the materiality threshold.¹³ However, with the approved ten year rebasing deferral, the updated rate protection amounts will not be available through a CoS proceeding.

¹¹ EB-2013-0147, May 1, 2014.

¹² EB-2018-0236, December 20, 2018.

¹³ Chapter 2 of 2019 Filing Requirements, page 22.

In a letter to the OEB dated December 19, 2019, Veridian made a request for the 2020 RGCRP compensation amount of \$217,996 (\$18,166 per month) from the IESO for two of the three renewable investments that were approved in the 2014 CoS decision and order.¹⁴ Veridian stated that it has only received IESO funding for one renewable expansion project. As a result, it did not receive IESO funding for either of the two renewable enabling projects to date. However, Veridian noted that only one of the two renewable enabling projects has gone into service, with the remaining one set to go into service in 2021.

The requested monthly payment of \$18,166 is significantly higher than the monthly payment of \$2,917 in 2018 and 2019 because the requested monthly payment of \$18,166 includes the 2014-2019 true-up of \$11,804 per month, which reflects a true-up to actuals for the one renewable expansion project that went into service in 2014 (actual costs were lower than forecast), and forgone revenue based on actuals for the one enabling project that went into service in 2015 for which Veridian has never received payments from the IESO (again actual costs were lower than forecast).¹⁵

Findings

The OEB approves the updated compensation amount requested by Peterborough Distribution in its letter. The updated calculation is a mechanistic exercise pertaining to the approved renewable investment from the last approved CoS decision and order.¹⁶ The OEB expects that Peterborough Distribution will track the variances between the received RGCRP payments and the calculated RGCRP payments based on the updated net book value of the investment for 2018 and 2019 in the established variance account. The OEB may issue further guidance in due course on when distributors that are in rebasing deferral periods should update their RGCRP amounts.

In its letter, Kitchener-Wilmot Hydro provided information regarding prior period OM&A and an updated payment for the capital portion to account for changes to the revenue requirement due to the passage of time. The OEB approves the requested payment for 2020 on an interim basis. Kitchener-Wilmot Hydro should provide evidence supporting the requested payments for the years 2020 to 2024 in its application for 2021 distribution rates with the view to finalizing these payments given that some information was provided only with Kitchener-Wilmot Hydro's most recent letter.

¹⁴ EB-2013-0174, April 10, 2014.

¹⁵ Veridian's letter to the OEB, December 19, 2019, page 2.

¹⁶ EB-2012-0160, August 22, 2013.

The OEB approves the Veridian request on an interim basis. Notwithstanding the additional information provided by Veridian in its letter to the OEB, as Veridian noted in its letter, the disposition of the variance account requires a prudence review, which is not within the scope of this current RGCRP proceeding. However, the OEB is inclined to update the amounts to be recovered from the IESO on an interim basis at this time given that the OEB approved both projects that are currently in service, but Veridian did not receive any revenue to date under the rate protection mechanism for the 2015 enabling project due to an administrative oversight.

The OEB expects Veridian to provide evidence supporting the actual amounts for these two projects in its 2021 rate proceeding (due to be filed in fall 2020) so that the OEB may be in a position to finalize these amounts. Veridian should also be providing evidence supporting the remaining enabling project should it be scheduled to go into service in 2021.

All other funding remains in place as set out in the OEB's previous RGCRP decision. These amounts are summarized in the next section.

The monthly amount to be collected by the IESO from all market participants effective January 1, 2020 is \$196,837. The monthly charge for each market participant will vary with the actual consumption of the market participant in that month.

In making this determination, the OEB notes that all distributors will pass on their share of this charge to their electricity distribution customers through the Wholesale Market Service Rate (WMSR), currently approved by the OEB at \$0.0034 per kilowatt-hour.¹⁷ It is the OEB's view that at its current level, this change will have a negligible impact on balances in the Wholesale Market Service - Retail Services Variance Account (Account 1580) and the OEB will not adjust the WMSR at this time.

¹⁷ EB-2019-0278, December 19, 2019.

4 IMPLEMENTATION

The monthly amount to be collected by the IESO shall be \$196,837 per month effective January 1, 2020 from all market participants.

The following monthly amounts are to be forwarded to the qualifying distributors, by the IESO:

• Toronto Hydro-Electricity System Limited	\$ 120,725
• Waterloo North Hydro Inc.	\$ 725
• Alectra Utilities Corporation	
○ Enersource	\$ 13,380
○ PowerStream	\$ 21,408
○ Brampton	\$ 11,930
• Elexicon Energy Inc. - Veridian service area	\$ 18,166
• Kitchener-Wilmot Hydro	\$ 8,875
• Peterborough Distribution Inc.	\$ 1,016
• Fort Frances Power Corporation	\$ 181
• Welland Hydro-Electric System Corp.	<u>\$ 431</u>
 Total to be forwarded	 \$ 196,837

Attached to this Decision and Order are the communications to the IESO (Appendix A) and to distributors (Appendix B) regarding the 2020 monthly payments as of January 1, 2020.

5 ORDER

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. Effective January 1, 2020, the IESO shall collect \$196,837 per month from all market participants until such time as the OEB revises this amount.
2. Effective January 1, 2020, the IESO shall distribute the amounts for each qualifying distributor on a monthly basis as set out in section 4 of this Decision and Order.

DATED at Toronto January 30, 2020

ONTARIO ENERGY BOARD

Original Signed By

Theodore Antonopoulos
Vice-President
Applications Division

APPENDIX A

2020 RENEWABLE GENERATION CONNECTION RATE PROTECTION

**Communication to the IESO on Collection of Compensation Amounts under
Ontario Regulation 330/09 as of January 1, 2020**

EB-2019-0279

DECISION AND ORDER

JANUARY 30, 2020



Ontario
Energy
Board | Commission
de l'énergie
de l'Ontario

BY EMAIL

January 30, 2020

Devon Huber
Senior Manager Regulatory Affairs
Independent Electricity System Operator
Station A, Box 4474
Toronto ON M5W 4E5

Dear Mr. Huber:

Re: Collection of Compensation Amounts under Ontario Regulation 330/09 for 2020 as of January 1, 2020

Ontario Regulation 330/09 under the *Ontario Energy Board Act, 1998*, regarding cost recovery for eligible investments for the purpose of connecting or enabling the connection of a qualifying generation facility to a distribution system, requires the Ontario Energy Board (OEB) to calculate the monthly amount to be collected by the Independent Electricity System Operator (IESO) to provide compensation to qualifying distributors for rate protection provided to consumers.

The OEB has issued previous orders, setting the compensation amount each year from 2010 to 2019, authorizing the IESO to implement the charge for each of those years. On January 30, 2020 the OEB issued its Decision and Order¹ updating the 2020 compensation amounts as of January 1, 2020. The Decision and Order is attached.

Amount to be charged by the IESO as of January 1, 2020

In its January 30, 2020 Decision and Order, the OEB determined that effective January 1, 2020 and until such time as the OEB orders otherwise, the amount to be collected by the IESO shall be \$196,837 per month from all market participants.

The OEB expects the IESO to implement this charge as soon as possible with monthly amounts adjusted, if necessary, to ensure the entire amount is collected and remitted to the qualifying distributors in a timely manner.

¹ EB-2019-0279

The following monthly amounts are to be forwarded to the following qualifying distribution utilities:

• Toronto Hydro-Electricity System Limited	\$ 120,725
• Waterloo North Hydro Inc.	\$ 725
• Alectra Utilities Corporation	
○ Enersource	\$ 13,380
○ PowerStream	\$ 21,408
○ Brampton	\$ 11,930
• Elexicon Energy Inc. - Veridian service area	\$ 18,166
• Kitchener-Wilmot Hydro	\$ 8,875
• Peterborough Distribution Inc.	\$ 1,016
• Fort Frances Power Corporation	\$ 181
• Welland Hydro-Electric System Corp.	\$ 431
 Total to be forwarded	 \$ 196,837

Yours truly,

Original Signed By

Christine E. Long
Registrar and Board Secretary

cc: Alectra Utilities Corporation
Toronto Hydro-Electricity System Limited
Waterloo North Hydro Inc.
Fort Frances Power Corporation
Elexicon Energy Inc. - Veridian service area
Kitchener-Wilmot Hydro Inc.
Peterborough Distribution Inc.
Welland Hydro-Electric System Corp.

Attachment

APPENDIX B

2020 RENEWABLE GENERATION CONNECTION RATE PROTECTION

**Communication to Distributors on Collection of Compensation Amounts under
Ontario Regulation 330/09 as of January 1, 2020**

EB-2019-0279

DECISION AND ORDER

JANUARY 30, 2020



BY EMAIL

January 30, 2020

To: All Licensed Electricity Distributors

Re: Collection of Compensation Amounts under Ontario Regulation 330/09 for 2020, as of January 1, 2020

Ontario Regulation 330/09 under the *Ontario Energy Board Act, 1998*, regarding cost recovery for eligible investments for the purpose of connecting or enabling the connection of a qualifying generation facility to a distribution system, requires the Ontario Energy Board (OEB) to calculate the monthly amount to be collected by the Independent Electricity System Operator (IESO) to provide compensation to qualifying distributors for rate protection provided to consumers. On January 30, 2020 the OEB issued its Decision and Order directing the IESO to adjust the charge effective January 1, 2020¹. The Decision and Order is attached.

Amount to be Charged by the IESO as of January 1, 2020

This Decision and Order established the 2020 compensation amounts (as of January 1, 2020) for the following qualifying distributors, based on the rate decisions setting annual amounts for those distributors:

- Alectra Utilities Corporation
 - Enersource (EB-2019-0018)
 - PowerStream (EB-2019-0018)
 - Brampton (EB-2019-0018)
- Toronto Hydro-Electric System Inc. (EB-2018-0165)
- Waterloo North Hydro Inc. (EB-2015-0108)
- Fort Frances Power Corporation (EB-2013-0130)
- Elexicon Energy Inc. - Veridian service area (EB-2013-0174)

¹ EB-2019-0279

- Kitchener-Wilmot Hydro (EB-2013-0147)
- Peterborough Distribution Inc. (EB-2012-0160)¹
- Welland Hydro-Electric System Corp. (EB-2016-0110)

Commencing January 1, 2020, an amount of \$196,837 per month will be collected from all market participants. The amounts collected shall be distributed to qualifying distributors.

The monthly amount billed to each distributor in the province will vary depending on the energy withdrawn from the IESO-controlled grid for each month.

Amount to be Charged by Distributors in 2020

In determining the amount to be collected by the IESO, the OEB acknowledged that distributors will be passing on this charge to their electricity distribution customers through the Wholesale Market Service Rate (WMSR) currently approved by the OEB at \$0.0034 per kWh. It is the OEB's view that at its current level, the change of the Renewable Generation Compensation Rate Protection would have a minimal impact on balances in the Wholesale Market Service - Retail Services Variance Account (Account 1580), and therefore the OEB did not adjust the WMSR at this time.

Yours truly,

Original Signed By

Christine E. Long
Registrar and Board Secretary

Attachment

¹ The 2020 payment to Peterborough Distribution Inc. is based on a mechanistic calculation of the renewable investment that was approved in its 2013 CoS decision and order EB-2012-0160.