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November 20, 2020

VIA E-MAIL

Ms. Christine Long
Registrar and Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th floor
P.O. Box 2319
Toronto, ON M4P 1E4

Dear Ms. Long:

**Re: EB-2020-0013 Elexicon Energy Inc. 2021 Electricity Distribution Rates
Final Submission of Vulnerable Energy Consumers Coalition (VECC)**

Please find enclosed the final submissions of VECC in the above-noted proceeding. We have also directed a copy of the same to the Applicant.

Yours truly,

(Original Signed By)

John Lawford
Counsel for VECC

Copy to: Susan Reffle, Elexicon Energy Inc.

EB-2020-0013

**Elexicon Energy Inc.
Application for electricity distribution rates and other
charges effective January 1, 2021**

**VECC's Final Submissions
November 20, 2020**

Elexicon Energy Inc. (Elexicon Energy), filed an incentive rate-setting mechanism (IRM) application with the Ontario Energy Board (OEB) on August 20, 2020, under section 78 of the Ontario Energy Board Act, 1998, S.O. 1998, c. 15, (Schedule B) seeking approval to raise electricity distribution rates in its Veridian Rate Zone, effective January 1, 2021.

VECC's submissions relate to the final approval of the costs associated with the connection of renewable generation projects.

Renewable Generation Connection Rate Protection

Subsection 79.1 (1) of the Ontario Energy Board Act, 1998 (the Act) states that the 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.¹

During a rebasing application a distributor may seek approval for costs incurred to make investments that are eligible for rate protection as per Subsection 79.1 (1) of the Ontario Energy Board Act, 1998 (the Act) and O.Reg. 330/09 (the Regulation) under the Act, which includes facilities forecast to enter service beyond the test year.²

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

¹ EB-2019-0279 2020 RENEWABLE GENERATION CONNECTION RATE PROTECTION COMPENSATION AMOUNT EFFECTIVE JANUARY 1, 2020 P1

² Filing Requirements For Electricity Distribution Rate Applications - 2020 Edition for 2021 Rate Applications - Chapter 3 Incentive Rate-Setting Applications P32

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, 2010.³

Ellexicon Energy (Veridian service area) last rebased in 2014 and the OEB approved the provincial rate protection payments for 2014 to 2018 for three renewable investments: two renewable enabling improvement projects (Communication Platform and Micro-Grid) and one renewable expansion project (Index Energy).

Details of the investments, time and monthly amounts payable by the IESO from the rebasing application (EB-2013-0147) are outlined below⁴:

Renewable Enabling Improvement Projects					
	2014	2015	2016	2017	2018
Communication Platform	\$ -	\$ 115,000	\$ 115,000	\$ 115,000	\$ 115,000
Micro-Grid Project	\$ -	\$ 300,000	\$ 165,000	\$ -	\$ -
Total	\$ -	\$ 415,000	\$ 280,000	\$ 115,000	\$ 115,000
Monthly Amount Paid by IESO	\$ -	\$ 3,099	\$ 8,230	\$ 11,038	\$ 12,551
Renewable Expansion Project					
Index Energy	\$ 500,000				
Monthly Amount Paid by IESO	\$ 1,446	\$ 3,088	\$ 3,031	\$ 2,974	\$ 2,917

In the OEB's April 10th, 2014 Decision and Order, the Board approved the establishment of a new variance account for the purpose of tracking any variance between the IESO payment amounts former Veridian received for these projects and the actual costs it incurred that would be eligible for recovery. The prudence of the planned investments, including the costs recorded in the account and their eligibility for provincial rate protection under O. Reg 330/09 and any disposition and recovery of variance account balances, were a matter that would be addressed and determined in a future proceeding.

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 Cost of Service (CoS) application, subject to the materiality threshold.⁵ However, with the approved ten year rebasing deferral, the updated rate protection amounts will not be available through a CoS proceeding.

Former 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.⁶

³ DECISION AND ORDER EB-2019-0279 2020 RENEWABLE GENERATION CONNECTION RATE PROTECTION COMPENSATION AMOUNT EFFECTIVE JANUARY 1, 2020 P1

⁴ Appendix I P1

⁵ Chapter 2 of 2019 Filing Requirements P22

⁶ EB-2019-0279 2020 Electricity Rate Protection Benefit and Charge Effective January 1, 2020 P6

In a letter to the OEB dated December 19, 2019, Elexicon informed the OEB that it has only received IESO funding for the Renewable Expansion Project (Index Energy Project), but has not received IESO funding for either of the Renewable Enabling Improvement Projects (Micro-Grid Project & Communication Platform). Of the two Renewable Enabling Improvement Projects only the Micro-Grid Project, was completed and in-service at a cost of \$429,343 which was \$35,647 less than the original project estimate of \$465,000. The Communication Platform project was deferred until 2021.

The Index Energy Project was completed at a cost of \$355,852, which was \$144,148 less than the original project estimate of \$500,000.

Based on the above details and adjustments, Elexicon recalculated the amount owing from the IESO to be \$217,996 that includes 2020 compensation and true-up. In the December 19, 2019 letter, Elexicon requests that the OEB amend the IESO's Renewable Generation Rate Protection compensation amounts to Elexicon to \$18,166 per month for 2020, which includes the 2014-2019 true-up of \$11,804 per month.⁷

In the OEB's 2020 Decision and Order that provides an updated order to the IESO regarding the amounts to be collected from all market participants and remitted to eligible distributors, the OEB noted 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 the former Veridian has never received payments from the IESO. The OEB approved Elexicon's request on an interim basis noting the disposition of the variance account requires a prudence review of actual amounts for the two projects. The OEB stated it expects Veridian to provide evidence supporting the actual amounts for these two projects in its 2021 rate proceeding 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 2021.⁸

In the current 2021 rate application, Elexicon seeks final approval of the amounts to be recovered from the IESO which were approved on an interim basis in EB-2019-0279 per the OEB decision on 2020 Electricity Rate Protection Benefit and Charge.

On October 14, 2020, Elexicon provided supplemental evidence which shows the extension of the protection plan payments out to 2028 as Elexicon has opted to take a ten year deferral for its next Cost of Service application after the merger. Elexicon explains this will ensure that the expected payments for the rate protection for the renewable generation projects are filed with the OEB. Elexicon also included its final project – the Communication Platform. In response to interrogatories, Elexicon filed updated Appendix 2-FA through 2-FC to update the amounts to be disbursed by the IESO.⁹ The impact of the supplemental evidence filed on October 14, 2020 is to show the required rate protection on an annual

⁷ December 19, 2019 Letter to OEB P2

⁸ EB-2019-0279 2020 Renewable Generation Rate Protection Amount

⁹ Staff-2

basis for future years. The application filed in August 2020 only showed the true up calculation until the end of 2020.¹⁰

Micro-Grid Project

As discussed above, the Micro-Grid project was completed and in-service at a cost of \$429,343 which was \$35,657 less than the original project estimate of \$465,000 in EB-2013-0147. VECC has reviewed the evidence supporting the actual amounts and submits the OEB should finalize the amounts approved on an interim basis in the 2020 Renewable Generation Rate Protection Amount Decision.

Index Energy Project

As discussed above, the Index Energy Project was completed at a cost of \$355,852, which was \$144,148 less than the original project estimate of \$500,000. in EB-2013-0147. VECC has reviewed the evidence supporting the actual amounts and submits the OEB should finalize the amounts approved on an interim basis in the 2020 Renewable Generation Rate Protection Amount Decision.

Communication Platform Project

VECC has reviewed the detailed submissions of OEB staff and supports the analysis undertaken and concurs with OEB staff that the OEB should not approve the funding request for this project as part of this application.

¹⁰ VECC-4