



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

BY EMAIL

January 27, 2022

Ms. Nancy Marconi
Acting Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4
Registrar@oeb.ca

Dear Ms. Marconi:

**Re: Ontario Energy Board (OEB) Staff Submission
ENWIN Utilities Ltd.
Application for 2022 Rates – Phase 2
OEB File Number: EB-2021-0019**

Please find attached OEB staff's submission in the above referenced proceeding, pursuant to the Notice of Hearing and Procedural Order No. 1.

Yours truly,

Alexander Di Ilio
Application Policy & Conservation

Encl.

cc: All parties in EB-2021-0019



ONTARIO ENERGY BOARD

OEB Staff Submission

ENWIN Utilities Ltd.

Application for 2022 Rates – Phase 2

EB-2021-0019

January 27, 2022

Background

On August 18, 2021, ENWIN Utilities Ltd. (ENWIN Utilities) filed an Incentive Rate-Setting Mechanism (IRM) application seeking OEB approval for:

- distribution rates, retail transmission rates and other charges effective from January 1, 2022, including the disposition of amounts accumulated in certain deferral and variance accounts, and
- an amendment to the description for its Large Use – 3TS Service rate classification to remove the 5,000 kW demand threshold.

The OEB decided to hear ENWIN Utilities' IRM application for 2022 rates in two phases. In Phase 1, distribution rates, retail transmission rates and other charges effective from January 1, 2022, and the disposition of amounts accumulated in certain deferral and variance accounts were approved on a final basis on December 9, 2021.¹ In Phase 2 of this proceeding, the OEB is hearing ENWIN Utilities' request to amend the description of its Large Use – 3TS Service rate classification to remove the 5,000 kW demand threshold.

In its 2020 Cost of Service application², ENWIN Utilities proposed that the former Large Use – Ford Annex Service customer class be consolidated into the existing Large Use – 3TS Service customer class. The consolidation proposal from the 2020 Cost of Service application was premised on creating one consistent customer class for ENWIN Utilities' customers that are serviced by dedicated ENWIN Utilities-owned and operated transmission-connected transformer stations.

In that proceeding, intervenors that were parties to a partial Settlement Agreement were agreeable to the proposed customer class consolidation. The Settlement Proposal was approved by the OEB and incorporated in ENWIN Utilities' Tariff of Rates and Charges effective January 1, 2020.³ To facilitate the consolidation of the Large Use – Ford Annex customer class into the Large Use – 3TS, no adjustments to the Large Use – 3TS Service Classification description were proposed or required, as the existing customers being classified in the consolidated rate class satisfied the existing description.

¹ EB-2021-0019, Decision and Rate Order, December 9, 2021

² EB-2019-0032

³ EB-2019-0032, Decision and Order, October 17, 2019, filed as Exhibit KT1.2 in the current proceeding

Application Summary

As part of its IRM application for 2022 rates, ENWIN Utilities requested approval to amend the description of its Large Use – 3TS Service customer class to remove the 5,000 kW threshold.

The current description of the Large Use – 3TS Service customer class is as follows:

LARGE USE - 3TS SERVICE CLASSIFICATION

This classification applies to a customer whose monthly peak load, averaged over 12 consecutive months, is equal to or greater than 5,000 kW and the premise is serviced by a dedicated Transformer Station. Class A and Class B consumers are defined in accordance with O. Reg. 429/04. Further servicing details are available in the distributor's Conditions of Service.

ENWIN Utilities proposed that the OEB approve a modification to the description of the Large Use – 3TS Service customer class as follows:

LARGE USE - 3TS SERVICE CLASSIFICATION

This classification applies to a customer whose premise is serviced by a dedicated Transformer Station. Class A and Class B consumers are defined in accordance with O. Reg. 429/04. Further servicing details are available in the distributor's Conditions of Service.

On December 17, 2021, the OEB issued a Notice of Hearing and Procedural Order No. 1, which granted intervenor status to all parties from ENWIN Utilities 2020 Cost of Service proceeding and that were parties to the Settlement Proposal in that proceeding and set dates for the technical conference and submissions stages in this proceeding.

On January 11, 2022, the OEB issued a Decision on Confidentiality Request, which granted ENWIN Utilities' request to treat select sections of the Application and Evidence in this proceeding as confidential.

On January 13, 2022, the OEB held a Technical Conference where OEB staff and intervenors asked questions regarding the evidence filed in this proceeding. A portion of the Technical Conference was held in camera. Two undertakings were committed to, and the responses were subsequently filed by ENWIN Utilities; one of these undertakings was filed under a claim of confidentiality.

OEB Staff Submission

OEB staff submits that ENWIN Utilities' request to amend the description for its Large Use – 3TS Service customer class to remove the 5,000 kW demand threshold should be approved. However, OEB staff also submits that the OEB should consider directing ENWIN Utilities to undertake the following activities, which would be reviewed as part of its next cost of service application to rebase rates, currently scheduled for 2025 rates:

- 1) ENWIN Utilities should re-evaluate, and if necessary, update the cost allocation and rate design for the Large Use – 3TS customer class at the time of the next cost of service application
- 2) ENWIN Utilities should prepare more detailed documentation for customer communications purposes on the level of service to be provided for a customer in the Large Use – 3TS customer class in contrast to the Large Use – Regular and General Service 50-4,999 kW customer classes.

OEB staff's rationale for these submissions is explained in greater detail following.

Amendment to Large Use – 3TS Service Rate Classification

OEB staff understands that ENWIN Utilities' proposal to remove the 5,000 kW demand threshold from its Large Use – 3TS Service customer class description is predicated on the fact that what distinguishes customers in the Large Use – 3TS Service customer class from customers in other customer classes is provision of service through dedicated transformer stations owned and operated by ENWIN Utilities, and not primarily the customers' level of demand.⁴ This is distinguished from customers in other customer classes that are served from ENWIN Utilities-owned and operated transformer stations that are shared by several or many customers and where demand requirements are the defining factor for the given customer classification. It is the service through a dedicated ENWIN Utilities-owned and operated transformer station for each customer in the class which is the differentiator for the Large Use – 3TS Service customer class.⁵

OEB staff submits that, if approved, the amendment to the Large Use – 3TS Service customer class description proposed by ENWIN Utilities in this application would not represent a material change to the manner in which costs were allocated at the customer class level approved as part of ENWIN Utilities' last cost of service rebasing application.⁶ However, OEB staff notes that some degree of upward pressure on rates and possible intra-class subsidization for the Large Use – 3TS Service class could result at the time of ENWIN Utilities' next rebasing proceeding. OEB staff recommends that ENWIN Utilities should consider the rate structure in this class, including efforts to

⁴ Technical Conference Transcript, January 13, 2022, pp. 8-9

⁵ *Ibid.*, pp. 13-14

⁶ EB-2019-0032. With respect to the impact of demand on the allocation of costs to the Large Use – 3TS Service customer class, see Technical Conference Transcript, January 13, 2022, pp. 21-22.

mitigate these issues of rate pressure and potential intra-class subsidization, in its next rebasing application.

In essence, OEB staff agrees with ENWIN Utilities' position that the proposed amendment to the Large Use – 3TS Service customer class description will better align customer classifications with the most significant driver of the costs of serving customers in each class. Furthermore, OEB staff accepts that the proposed change will not result in the movement of ENWIN Utilities' current customers between customer classes nor to changes in the existing relationships between ENWIN Utilities and its customers. This is supported by the fact that, at this time, ENWIN Utilities does not expect customers outside of the Large Use – 3TS Service customer class to request access to a dedicated ENWIN Utilities-owned transformer station.⁷

Based on this, OEB staff submits that ENWIN Utilities' request to amend the description for its Large Use – 3TS Service rate classification to remove the 5,000 kW demand threshold should be approved on a final basis. However, OEB staff has specific recommendations for ENWIN Utilities to address going forward as outlined below.

Financial Impacts on ENWIN Utilities and Large Use – 3TS Service Customers

OEB staff understands that there have been no material changes to the allocated costs and revenue requirement for the Large Use – 3TS Service customer classification since ENWIN Utilities' last rebasing proceeding.⁸ ENWIN Utilities' revenue requirement for the Large Use – 3TS Service class was predicated on a forecast demand of 541,125 kW across the three customers in that class.⁹ Therefore, actual demand less than 541,125 kW would result in under-recovery of the revenue requirement by ENWIN Utilities. If such a situation were to exist for an extended period, there is potential to introduce a funding deficiency, which may impact ENWIN Utilities' ability to continue to provide reliable service to its customers.

That there have been reductions in demand in the Large Use – 3TS customer class since the rebasing of ENWIN Utilities' rates for 2019 is apparent. ENWIN Utilities stated that annual demand for the Large Use – 3TS class was around 430,000 kW for 2020.¹⁰ ENWIN Utilities also filed an Undertaking that documented that, for the Large Use – 3TS class, demand for the January to November period of 2021 amounts to 348,381 kW.¹¹ Neither of these results are close to the 2019 forecast of around 541,000 kW.

ENWIN Utilities currently recovers costs from customers in the Large Use – 3TS Service rate classification through both a fixed service charge and a variable distribution

⁷ Technical Conference Transcript, *op. cit.*, p. 7

⁸ EB-2019-0032

⁹ EB-2019-0032, Decision and Order, October 17, 2019, Settlement Proposal, p. 25. The October 17, 2019 Decision and Order which includes the Settlement Proposal as Schedule A, is filed as Exhibit KT1.2 in the current proceeding.

¹⁰ Technical Conference Transcript, *op. cit.*, pp. 6-7

¹¹ Undertaking JT1.1, filed January 14, 2022

volumetric charge.¹² Re-examination of the rate design for the Large Use – 3TS Service rate classification will, in OEB staff’s submission, be necessary at ENWIN Utilities’ next cost of service rebasing should this proposal be approved.

ENWIN Utilities noted that it has not yet considered how changes in peak demand volumes in the Large Use – 3TS Service rate classification may impact fixed or volumetric rates at the time of its next rebasing.¹³ OEB staff submits that ENWIN Utilities should consider a cost allocation and rate design structure that may lower the risk of under-recovery of the revenue requirement, and the risk of asymmetric recovery amongst customers in the Large Use – 3TS Service rate classification at the time of its next rebasing application.

Description of Level of Service of Large Use – 3TS Relative to Other Customer Classes

In its application, ENWIN Utilities stated that its proposal to eliminate the 5,000 kW threshold would allow it to maintain the “level of service” that the existing customers in the Large Use – 3TS class expect.¹⁴

As noted earlier, the provision of a transformer station owned and operated by ENWIN Utilities that is dedicated to serving each customer in the Large Use – 3TS customer class is the primary characteristic of the different level of service for customers in this class compared to customers in other classes, such as Large Use – Regular and GS 50-4,999 kW. During the Technical Conference, there was discussion of some of the technical aspects of the level of service for customers in the Large Use – 3TS class, but ENWIN Utilities was unable to point to specific documentation of other aspects, such as customer care, that make up the “level of service” specifically provided to customers of the Large Use – 3TS customer class.¹⁵

In OEB staff’s view, this is important. For rates to be just and reasonable, the rates must be aligned to recover the costs of providing the service to the customer at a specified level of service. In addition, customers that impose similar costs on the system should pay similar rates, unless there is some distinction in the levels of service provided to them.¹⁶ All of ENWIN Utilities’ Large Use – 3TS, Large Use – Regular, and GS 50-4,999 kW customer classes are demand-billed, meaning that distribution rates to recover the costs of serving a customer in each class is recovered through a combination of a class-specific monthly service charge and a volumetric rates multiplied by the customer’s monthly peak demand.

¹² EB-2021-0019, Decision and Rate Order, December 9, 2021

¹³ Technical Conference Transcript, *op. cit.*, pp. 21-23

¹⁴ EB-2021-0019, Application, pp. 21-22

¹⁵ Technical Conference Transcript, *op. cit.*, pp. 29-33

¹⁶ This is the principle underlying the Transformer Ownership Allowance Credit, which compensates a GS customer that invests in and owns its own transformer for the cost of ownership and operation, relative to a GS customer with the same demand but relies on transformation by a utility-owned transformation asset, whether a single transformer or part of a transformer station.

OEB staff believes that better documentation on the level of service provided for in each customer class would allow customers to be better informed on their options and on the level of service that they should expect relative to the rates that they will be charged for that level of service based on the chosen customer class.

Impacts on Other Local Distribution Companies

OEB staff submits that the rate class description amendment requested by ENWIN Utilities is a special situation, with specific drivers, uniquely applicable to ENWIN Utilities. Furthermore, OEB staff is only aware of one other local distribution company in Ontario (Alectra Utilities, in its Horizon Utilities rate zone), which has a rate classification with both a demand threshold and a utility-owned and operated infrastructure requirement for a specific customer class.¹⁷ For these reasons, OEB staff submits that the outcome of this proceeding should be viewed as unique to the circumstances of ENWIN Utilities, and should not be considered impactful on or necessarily establish a general precedent for other Ontario electricity distributors.

~All of which is respectfully submitted~

¹⁷ EB-2020-0002, Final Rate Order, December 23, 2020. Alectra Utilities' description of its "Large Use with Dedicated Assets Service Classification" in the Horizon Rate Zone is provided in the Tariff of Rates and Charges (Schedule A to the Final Rate Order), and states:

This classification applies to an account where average monthly maximum demand used for billing purposes is equal to or greater than or is forecast to be equal to or greater than, 5,000 kW and using dedicated assets. Class A and Class B consumers are defined in accordance with O. Reg. 429/04. Further servicing details are available in the distributor's Conditions of Service.