



PUBLIC INTEREST ADVOCACY CENTRE
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January 27, 2022

**OEB VIA RESS
Applicant VIA E-MAIL**

Nancy Marconi
Acting Registrar
Ontario Energy Board
2300 Yonge Street
Toronto, ON
M4P 1E4

Dear Ms. Marconi:

**Re: EB-2021-0019: ENWIN Utilities Ltd. – 2022 Rate Application
Phase 2: Request to Amend the Description of the Large Use – 3TS Service
Rate Classification
Submission of the Vulnerable Energy Consumers Coalition (VECC)**

Please find attached VECC's submission in the above referenced proceeding, pursuant to Procedural Order No. 1.

We have also directed a copy to the Applicant via e-mail.

Yours truly,

William Harper
Consultant for VECC/PIAC

Cc: Enwin – Josh Charles – regulatory@enwin.com



PUBLIC INTEREST ADVOCACY CENTRE
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ENWIN Utilities Ltd.

Application for 2022 Rates

**Phase 2: Request to Amend the Description of the
Large Use – 3TS Service Rate Classification**

(EB-2021-0019)

Submission

of the

Vulnerable Energy Consumers Coalition

(VECC)

January 27, 2022

**Vulnerable Energy Consumers Coalition
Public Interest Advocacy Centre**

1. INTRODUCTION

On August 18, 2021, ENWIN Utilities Ltd. (ENWIN) filed an incentive rate-setting mechanism (IRM) application with the Ontario Energy Board (OEB), under section 78 of the Ontario Energy Board Act, 1998 (Act), seeking approval for changes to its electricity distribution rates to be effective January 2022. By Delegated Authority under section 6 of the Act, the OEB issued a Decision and Order on December 9, 2021 that approved the utility's electricity rates for 2022 on a final basis (Phase 1).

As part of the Application, ENWIN requested approval to amend the description of its Large Use – 3TS Service rate classification. On this aspect of the application, the OEB found that consideration of the matter required further process and would proceed to a second phase of the proceeding, before a panel of Commissioners¹. On December 17, 2021, the OEB issued a Notice of Hearing and Procedural Order No. 1 (P.O. #1) convening a hearing to consider the request to amend the description of the Large Use – 3TS Service rate classification. P.O. #1 set out the procedural steps for the (Phase 2) hearing which included:

- i. Approving ENWIN's amended description of its Large Use – 3TS Service rate classification on an interim basis until the OEB renders a final decision on Phase 2;
- ii. Having the PO #1 for the Phase 2 proceeding served on all intervenors in ENWIN's 2020 Cost of Service proceeding (EB-2019-0032) as well as all customers in its Large Use – 3TS and Large Use – Regular Service rate classifications;
- iii. Providing for a transcribed technical conference among the parties and OEB staff; and
- iv. Providing for written submissions by intervenors and OEB staff as well as reply by ENWIN.

VECC was an approved intervenor in ENWIN's 2020 COS Application proceeding and participated in the current proceeding's technical conference. Set out below are VECC's submission with respect to ENWIN's request to amend the description of its Large Use – 3TS Service rate classification.

2. ENWIN'S PROPOSED AMENDMENT

ENWIN is seeking approval to update the rate class description for its Large Use – 3TS Service Classification to remove the "5,000 kW" demand threshold so that it would apply to a customer solely on the basis that its premise is serviced by an ENWIN-owned and transmission connected dedicated

¹ EB-2021-0019: Decision and Rate Order, December 9, 2021, page 11

transformer station². The current description of ENWIN's Large Use – 3TS Service Classification reads as follows³:

““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.”
(Emphasis added)

If approved, ENWIN's new Large Use – 3TS Service Classification would be described as follows⁴:

“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.”

As described in the Application⁵ and confirmed during the Technical Conference⁶ the only change to the description of the Large Use – 3TS Service Classification is the removal of the requirement that a customer's monthly demand -- monthly peak demand averaged over 12 consecutive months must be equal to or greater than 5,000 kilowatts.

The rationale provided by ENWIN in its Application for the amendment is that⁷:

“ENWIN also has a Large Use – Regular Service Classification, which applies to a customer whose monthly peak load is equal to or greater than 5,000 kW. The key feature of the Large Use – 3TS Service Classification, as compared to the Large Use – Regular Service Classification or any other rate class, is the requirement that a customer be serviced by a Dedicated Transformer Station. This key feature is reflected in the design of ENWIN's 2020 distribution rates, which allocate the costs associated with these dedicated assets directly to customers in the Large Use – 3TS Service Classification.”

The Application also states that⁸:

² ENWIN's 2022 IRM Rate Application (“Application”), page 4

³ Application, page 20

⁴ Application, page 21

⁵ Application, page 21

⁶ Page 8

⁷ Application, page 20

⁸ Page 21

“It is ENWIN’s position that the proposed amendment would simplify the Large Use – 3TS Service Classification description by focusing on the key feature of the rate class, namely, service by a Dedicated Transformer Station. It would also assist in further differentiating the Large Use – 3TS Service Classification from the Large Use – Regular Service Classification.

Moreover, ENWIN’s proposed amendment would have the added benefit of continuing to promote equity between and amongst its customers in their respective rate classes by ensuring that customers that are served by a Dedicated Transformer Station continue to be classified consistently and pay distribution charges that reflect the similar level of service they receive regardless of their demand”.

The rationale was also explained during the Technical Conference⁹ as follows:

“MR. HARPER: Okay. Maybe you can explain to me why the amendment is required at this point in time.

MR. CARLINI: The reason for the request is to accurately depict the unique aspects of this rate class. Specifically in this case, these three customers have a dedicated transformer station and that is what makes them unique, as opposed to other customer classes that we have.

It has very little to do with the actual demand. It has to do -- the main attribute is the dedicated transformer stations, so that is the reason for the request.”

ENWIN also noted in its responses to Board Staff’s interrogatories¹⁰ that:

“If ENWIN’s proposed amendment to the Large Use – 3TS rate class is approved, ENWIN does not anticipate any customers switching to or from the Large Use - 3TS rate class. Rather, ENWIN’s proposed amendment is aimed at maintaining the status quo.”

3. VECC’S SUBMISSIONS

3.1 Summary of VECC’s Submissions

VECC supports ENWIN’s proposal to amend its Large Use – 3TS Service classification description by removing the requirement that a customer’s “monthly peak load, averaged over 12 consecutive months, is equal to or greater than 5,000 kW”.

However, VECC submits that the Large Use – 3TS Service classification description should also be amended to clarify that the customer is serviced by a dedicated Transformer Station that is connected to

⁹ Pages 8-9

¹⁰ Staff 1 c)

the transmission system (as opposed to ENWIN's distribution system). VECC further submits that either in the description of the service classification (as set out in ENWIN's Tariff Sheet) or in ENWIN's Conditions of Service a definition should be provided as to what is meant by "dedicated". VECC's detailed submissions/reasons are set out below

3.2 VECC's Detailed Submissions/Reasons

3.2.1 ENWIN's Proposed Amendment

During the Technical Conference ENWIN confirmed¹¹ that without the proposed change to the description of its Large Use – 3TS Service classification if the load for one of the three customers currently in the class was to fall below 5,000 kW then "they would no longer qualify as being eligible for this large use 3TS rate class". ENWIN's rationale for the proposed change is that what makes customers in its 3TS class unique and different from other customers is that each of them has a dedicated transformer (not the customer's level of demand) and that the change will ensure that customers with a dedicated transformer remain in the class – regardless of their demand level¹². In VECC's submission, the validity of this view can be tested by looking at: i) how costs are allocated to the Large Use 3TS Service classification for purposes of setting rates, ii) the rationale for initially establishing the Large Use – 3TS Service classification and iii) difference in level of service provided to customers with a dedicated transformer. Furthermore, in making its decision the OEB should take into account the fact that the proposed amendment was submitted as part of an IRM (as opposed to a Cost of Service) application.

Allocation of Costs to the Large Use – 3TS Service Classification

The current Large Use – 3TS Service classification was approved by the OEB in its Decision and Order on ENWIN Utilities' 2020 Cost of Service application (EB-2019-0032) which consolidated the previously existing Large Use – Ford Annex Service and Large Use – 3TS Service rate classifications¹³. In the Cost Allocation Model submitted with ENWIN's draft Rate Order for that proceeding \$18.9 M (out of a total of \$25.5 M) in USOA 1815 (Transformation Station Equipment – Normally Primary above 50 kV) was directly allocated to this class, while remaining costs were allocated to balance of the customer classes using the prescribed allocation factors¹⁴. Similarly, portions of ENWIN's amortization expenses as well as operating and maintenance expenses were directly allocated to the Large Use – 3TS Service

¹¹ Page 9

¹² Technical Conference, pages 8-9 and 24

¹³ Application, page 19

¹⁴ EB-2019-0032, DRO Cost Allocation Model, Tab I3 (Row 137), Tab I9 (Row 31) and Tab O4 (Row 33)

classification¹⁵. This direct allocation arises from the fact that the transformer stations used by the customers in the Large Use – 3TS Service classification are dedicated transformer stations used only by these customers such that the associated costs qualify for direct allocation according the Board’s Cost Allocation Methodology which states¹⁶:

“Direct allocation must be applied if, and only if, 100% of the use of a clearly identifiable and significant distribution facility can be tracked directly to a single rate classification”.

Based on the foregoing, VECC agrees with ENWIN that it is the Large Use – 3TS Service classification’s use of dedicated transformers that makes the class unique for purposes of cost allocation and the subsequent derivation of rates as opposed to the demand level of the customers in the class. Furthermore, VECC notes that, based on the current description, if the average monthly demand for any of these customers fell below 5,000kW then the customer would have to be reclassified to either the GS 50-4,999 or GS<50 Service classification, the costs of dedicated transformer would be directly assigned¹⁷ to that customer class and the costs borne by all the customers in that class. As can be seen from the discussion in the following section, this result is counter to the original purpose for establishing the Large Use – 3TS Service classification.

Initial Basis for the 3TS Service Classification

As noted in the previous paragraphs, the current Large Use – 3TS Service classification was approved by the OEB in its Decision and Order on ENWIN Utilities’ 2020 Cost of Service application (EB-2019-0032) and represents a consolidation of the previously existing Large Use – Ford Annex Service and Large Use – 3TS Service rate classifications. In explaining why it was proposing to amalgamate the two classes ENWIN stated¹⁸:

“It is ENWIN’s position that the characteristics of Ford Annex are similar to the other two customers in its Large Use – 3TS rate class – such that all customers are served by dedicated transformer stations, and all have direct allocation of these costs.”

It is VECC’s submission that the fact the main rationale behind the amalgamation of the former Large Use – Ford Annex Service and Large Use – 3TS Service rate classifications was that both classes were

¹⁵ Technical Conference, page 14

¹⁶ RP-2005-0317, COST ALLOCATION REVIEW: Board Directions on Cost Allocation Methodology For Electricity Distributors, September 29, 2006, page 31

¹⁷ Based on a strict reading of the Board’s Direction on Cost Allocation Methodology, referenced earlier, the costs of an asset must be directly assigned if 100% of the use can be tracked to a single rate classification.

¹⁸ EB-2019-0032, AMPCO IR #40

served by dedicated transformers supports ENWIN's contention that this is what makes the current Large Use – 3TS Service classification unique and the defining criterion for the class.

However, in VECC's view the Board should also consider the rationale for the initial establishment of the former Large Use – Ford Annex Service and former Large Use – 3TS Service rate classifications. One of issues addressed during the review of ENWIN's 2006 Rate Application (RP-2005-0020/EB-2005-0359) was: "Are the rates charged to these two classes (i.e., Large Use 3TS and Ford Annex) through the use of the separate model proposed by EnWin adequately justified and reasonable?". In addressing this issue the Settlement Proposal filed with the Board and ultimately approved included background on the establishment of the two classes¹⁹. Set out below are specific excerpts from this backgrounder that are relevant to the OEB's consideration of the current application²⁰:

- "in 2001, EnWin Powerlines faced a unique circumstance in that it had constructed and owned, four transformer stations that were each dedicated to one customer. Each transformer station takes power at 115 kilovolts. The three stations serving the three members of the "3TS" customer class came into service in December 2000, January 2001 and November 2001. The station serving the sole member of the "Ford Annex" customer class came into service in October 2001."
- "Three of the four customers served by the new transformer stations (the three members of the 3TS class) had been customers of EnWin Powerlines for many years. Prior to the installation of the transformer stations these customers were served by shared facilities of EnWin Powerlines, and were members of EnWin Powerlines' "Large User" customer class. The construction of the new dedicated transformer station facilities was undertaken in order to support the customers' standards of service reliability. The "Ford Annex" customer, served by the fourth transformer station, was a new account."
- "in 2001, EnWin Powerlines approached OEB staff for assistance in determining how the cost associated with the four transformer stations might best be recovered. A copy of a letter sent by EnWin Powerlines to OEB Staff on December 6, 2001 confirming that discussions that took place at a meeting on October 10, 2001 between EnWin Powerlines representatives and OEB Staff, which confirms that "The discussion that took place with Board Staff identified the need to separate these transformation assets for rate making purposes in order to have a level playing field with other Local

¹⁹ RP-2005-0020/EB-2005-0359, EnWin Powerlines Limited 2006 Distribution Rates Application, Settlement Proposal, Settlement Supporting Materials, Tab 2 (February 15, 2006)

²⁰ Settlement Supporting Materials, pages 2-4

Distribution Company's who do not own transformation assets and also to reflect accurate cost for the remaining customer base and those customers for whom the dedicated facility was built" accompanies this narrative. The OEB Staff recommendation was that Enwin Powerlines make an application to the OEB for the creation of customer classes that would enable EnWin Powerlines to recover the costs associated with the assets serving these customers directly from them. Following those discussions with staff, EnWin Powerlines submitted a rate application to the OEB in December 2001 to seek approval for two new rate classes with distribution rates that would collect the transformer station costs from the four customers without impacting other customers. The three existing accounts were grouped into the "3TS" class, with the new account comprising the "Ford Annex" class".

- "The 3TS class included the three original long-term Large Use customers. EnWin Powerlines had virtually the identical Transformation Station Agreement with each of these customers. These agreements specified exclusive use of these stations and that equivalent rates would be determined for these facilities and subject to approval by the Regulator".
- "The December 2001 application was suspended by the operation of the *Electricity Pricing, Conservation and Supply Act, 2002* ("Bill 210"). A second application was made to the OEB in February 2003 (the "February 2003 Application"), upon receipt of approval of the Minister of Energy in accordance with Bill 210. The February 2003 Application was granted by the OEB."

As evident from the preceding excerpts the key consideration in establishing the former Large Use – Ford Annex Service and Large Use – 3TS Service rate classifications was the fact these customers were served from dedicated transformer stations built at their behest and the need to appropriately assign the costs for these facilities to the customers using them. In VECC's view, ENWIN's proposed amendment to the Large Use – 3TS Service description is consistent with this objective and the initial purpose for establishing separate rates classes for customers using dedicated transformer stations.

Service Reliability

A key result of customers being serviced by a dedicated transformer is that they receive a much more reliable level of service than customers in ENWIN's other Service Classifications. This difference was explained during the Technical Conference²¹ as follows:

"MR. CARLINI: I will pass this to Mr. Brown to explain that the technical service levels.

²¹ Pages 30-31

MR. BROWN: Yes, thank you for the question. Those customers that are served from dedicated -- transmission-system-connected transformer stations receive a much more reliable service with much higher power quality than customers who are served from the regular distribution system, and the reason for that is, number one, the dedicated transformer stations are redundant so they are redundant transformers. They are served from a redundant high voltage 115 kV system.

The footprint for that system is much smaller than from -- than from a regular distribution system. Customers who are served from the regular distribution system will see all of the voltage impacts of a fairly wide and broad footprint where towers can hit poles and things like that; squirrels can cross transformers. There will be a lot of weather interruptions, whereas from the 3TS it is transmission connected and it just that station. It is a very clean power supply and it is redundant. So their level of service is thereby much higher than from distribution system. Thanks."

As explained, this difference in service level quality is directly a result of the customers being served from a dedicated transformer station and is not a function of the level of customer load served. In VECC's submission this further supports the case for the proposed amendment, which clarifies that it's the use of a dedicated transformer that make these customers unique and distinguishable from other customers served by ENWIN.

IRM Application Context

Chapter 3 of the OEB's Filing Requirements For Electricity Distribution Rate Applications deals with IRM Applications. Section 3.4 of the July 2021 version applicable to Applications for 2022 rates states:

"The IRM application process is intended to be mechanistic in nature. For this reason, the OEB has determined that the IRM process is not the appropriate way for a distributor to seek relief on issues which are specific to only one or a few distributors, more complicated relative to issues typical of an IRM application, or potentially contentious."

While amendments to a specific Service classification's description could be considered as potentially contentious, the opposite is the case with respect to ENWIN's proposed amendment. ENWIN has confirmed in response to interrogatories²² and during the Technical Conference²³ that the proposed amendment will not change the classification of any of three customers currently assigned to the Large

²² Staff 1 c)

²³ Pages 7-8

Use – 3TS Service Classification and that no additional customers would be eligible to join the class.

Furthermore, during the Technical Conference²⁴ ENWIN confirmed that:

“if the proposed -- the proposed change to the rate class definition is approved, the anticipation is there would be no change to levels of service, to rates, to cost allocations -- no change to any customer in any rate class is effectively what we are saying there.”

In contrast, without the change ENWIN could be required to reclassify customers from this class to either the GS 50-4,999 or GS<50 Service classification if the load for one (or more) of the customers was to fall below an average of 5,000 kW per month²⁵. While there is no specific evidence that such an event has or is expected to occur, the load for the class has been declining in recent years as follows: i) Forecast load as used in the setting of the 2020 rates was 15,031 kW/customer/month²⁶, ii) Actual 2020 load was 11,944 kW/customer/month²⁷, and iii) 10,557 kW/customer/month for the first 11 months of 2021²⁸. Any reclassification of the existing Large Use – 3TS Service classification customers during the balance of ENWIN’s current IRM period would likely be controversial as the remaining customers’ rates would reflect the cost of assets they are not using. The proposed change avoids any such potential controversy. Furthermore, in its Application ENWIN has indicated that²⁹:

“ENWIN has engaged with each customer in the Large Use – 3TS Service Classification to provide them with information about this proposal, as it relates to their accounts, and to invite further feedback and discussion. ENWIN has received support from and/or has not been informed of any concerns relating to its proposed amendment by the customers in the rate class.”

Overall, VECC submits that ENWIN’s proposed amendment maintains the status quo and, in this regard, is consistent with the Board’s expectations for a distributor’s IRM period.

Conclusion

VECC submits that the OEB should grant ENWIN’s application to amend the description of the Large Use – 3TS Service classification by removing the requirement that a customer’s “monthly peak load, averaged over 12 consecutive months, is equal to or greater than 5,000 kW”.

²⁴ Page 20

²⁵ Technical Conference, page 9

²⁶ Exhibit KT1.1, Tab I6.1 – 541,125 kW/12/3=15,031 kW

²⁷ Technical Conference, page 7, 430,000 kW/12/3=11,944 kW

²⁸ JT1.1, 348,381 kW/11/3=10,557 kW

²⁹ Page 22

3.2.2 Other Required Changes to the Description of Large Use – 3TS Service

ENWIN purchases electricity from the Independent Electricity System Operator (“IESO”). The ENWIN system is supplied from six (6) Hydro One owned 230/115kV- 27.6 kV Transformer Stations (TS’s), four ENWIN owned 115kV-27.6 kV TS’s and one ENWIN owned 115kV-13.8 kV TS. These eleven TS’s supply fifty (50) ENWIN owned and operated 27.6 kV feeders which distribute power throughout the city³⁰. ENWIN’s Conditions of Service³¹ state that “All Customers with a monthly demand of 3000 kW or higher, or require secondary voltages not provided by ENWIN shall be required to provide their own transformation from a primary voltage supply from ENWIN at a Customer-owned substation”³². The Conditions of Service also indicate that, with respect to for Underground/Padmount Transformer Service – ENWIN shall supply the transformer (up to 2500 kVA at 27.6 kV -600/347 V – larger transformers such as 3000 kVA or substations may be supplied upon consultation with ENWIN)³³. ENWIN will also supply transformers with a secondary voltage of 120/208 volts for loads up to 1500 kVA³⁴.

VECC is concerned that with the elimination of the 5,000 kW requirement situations could arise where a customer is the sole user of an ENWIN owned transformer stepping power down from its primary supply voltage of 27.6 kV to a lower voltage and confusion would exist as to whether the customer should be classified as a Large Use – 3TS customer. It is clear from ENWIN’s Application³⁵ and the Technical Conference³⁶, that the intent is for the Large Use – 3TS Service classification to include only those customers served from an ENWIN-owned dedicated transformer station connected to the transmission system. To avoid such confusion VECC submits that the description should also be amended to clarify that the classification applies to customers serviced by a dedicated Transformer Station connected to the transmission system. VECC notes that during the Technical Conference³⁷ ENWIN’s counsel indicated that the utility would be open to such an amendment.

³⁰ EB-2019-0032, Exhibit 1, page 21

³¹ [Regulatory Information | ENWIN](#)

³² Pages 85-86

³³ Page 79

³⁴ Page 45

³⁵ Page 19

³⁶ Pages 10 and 30

³⁷ Page 39

Finally, during the Technical Conference³⁸ it was noted that neither the description of the Large Use – 3TS Service classification as provided in ENWIN’s approved Tariff Sheet nor ENWIN’s Conditions of Service clearly defined what was meant by the term a “dedicated Transformer Station”. In response ENWIN explained outlined what it meant by the term as follows³⁹:

“MR. BROWN: Thank you. What we mean by a dedicated transformer station is a fully built-out transformer station. It is not simply a single transformer. And in this case, these are all transmission connected.

So this means that the supply comes from the Hydro One transmission system at 115 kV, as compared to our distribution system which operates at 27.6 kV. Thank you.

MR. HARPER: So it has nothing to do with the number of customers being served from the station, or the types of customers being served from the station, or the fact the station only serves one customer. It simply has to do with the voltage at which the station --

MR. BROWN: No. The word dedicated means that it is dedicated to that specific customer as well.”

Again in light of the elimination of the 5,000 kW requirement, it is VECC’s submission that ENWIN should also clarify either in the actual description of the Large Use – 3TS Service classification or in its Conditions of Service what is meant by dedicated (i.e., a fully built out transformer station that serves a single customer).

4. COSTS

VECC respectfully submits that it has acted responsibly and efficiently during the course of this proceeding and requests that it be allowed to recover 100% of its reasonably incurred costs.

³⁸ Page 9

³⁹ Page 10