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

**EB-2009-0326**

**IN THE MATTER OF** the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B);

**AND IN THE MATTER OF** a proceeding initiated by the Ontario Energy Board to determine and implement a distribution rate for embedded generators having a nameplate capacity of 10 kW or less.

**BEFORE:** Pamela Nowina
Presiding Member and Vice Chair

Ken Quesnelle
Member

## DECISION AND ORDER

Ontario's Feed-In Tariff (FIT) program for renewable energy generation is a cornerstone of the province's *Green Energy and Green Economy Act, 2009* (the "Green Energy Act"). The program was launched in September 2009, and the Ontario Power Authority ("OPA") started accepting applications on October 1, 2009.

The program includes a stream called microFIT, which is designed to encourage homeowners, businesses and others to generate renewable energy with projects of 10 kilowatts (kW) or less. The microFIT program is designed to make it simpler and faster to get small-scale renewable projects installed and producing power. Participants in the microFIT program are guaranteed a certain rate for the power they produce and feed into the Ontario grid.

On September 21, 2009, in anticipation of the initiation of the OPA's microFIT program, the Ontario Energy Board (the Board) issued a Notice of a Proceeding and Procedural Order No. 1 to commence a proceeding on its own motion to determine a just and reasonable rate to be charged by an electricity distributor for the recovery of costs associated with an embedded generator account having a nameplate capacity of 10 kW or less (embedded micro generator) that meets the eligibility requirements of the OPA's microFIT program. The Board assigned file number EB-2009-0326 to this proceeding.

At that time, no Ontario distributor had a specific rate to recover the costs associated with the provision of service to an embedded micro generator connected to its distribution system. Historically, the number of embedded micro generation facilities has been small and typically distributors have classified any embedded micro generator into whichever existing rate classification best matched its load characteristics. The implementation of the OPA's proposed microFIT program is expected to lead to a significant increase in the number of embedded micro generators. These micro generators are expected to access the grid at the distribution system level, and the Board therefore felt it necessary to make provision for a specific rate for micro generator accounts.

The Board recognized the need for an appropriate cost recovery mechanism for the distributors, and the need to support the implementation of the microFIT initiative. Therefore, as part of the September 21, 2009 Notice, the Board ordered the establishment of a service classification and a rate for embedded micro generators for every licensed distributor on an interim basis. The interim rate was the fixed monthly charge equal to the distributor's existing residential monthly service charge.

The Board intended that the new micro generator service classification and associated rates were to be added to the rate tariffs of every distributor.

Procedural Order No. 1 included a draft issues list on which parties were invited to make comments pending the issuance of a final issues list. The Board received comments from the following parties:

- Coalition of Large Distributors*;
- Electricity Distributors Association;
- Federation of Ontario Cottagers Associations;
- Hydro One Networks Inc.;
- Lexco*;
- London Property Management Association;
- Pollution Probe*;

- Toronto Community Housing Corporation*; and
- Vulnerable Energy Consumers Coalition.

The four parties identified with an asterisk (*) did not participate in subsequent phases of the proceeding.

Decision and Procedural Order No. 2, issued on October 22, 2009, addressed these comments and established the final issues list, which is attached as Appendix A to this Decision. The four main issues were:

- Service Classification;
- Cost Elements to be Recovered;
- Rate Design; and
- Implementation.

The final list of intervenors is attached as Appendix B to this Decision. As a sub-set of this list, a list of intervenors found eligible for an award of costs is attached as Appendix C.

Evidence and/or specific proposals in this proceeding were submitted by:

- ALASI Inc.;
- Canadian Solar Industries Association;
- Electricity Distributors Association;
- EnWin Utilities; and
- Hydro One Networks Inc.

Final submissions and responses to final submissions were made by:

- ALASI Inc.;
- Board Staff;
- Canadian Manufacturers & Exporters;
- Electricity Distributors Association;
- EnWin Utilities;
- Federation of Ontario Cottagers Associations;
- Green Energy Coalition;
- London Property Management Association;

- Power Workers' Union;
- School Energy Coalition; and
- Vulnerable Energy Consumers Coalition.

The full record of this proceeding is available at the Board's office or through its web site. While the Board has considered the entire record in this proceeding, it has made reference only to such evidence as is necessary to provide context to its findings.

## 1. Service Classification

The issue pertaining to Service Classification reads as follows:

Is the description/definition for the embedded micro-generation service classification shown in Appendix B appropriate? If not, what should be the description/definition of this service classification?

The definition provided was as follows:

"This classification applies to an electricity generation facility meeting the eligibility requirements of the Ontario Power Authority's microFIT program and connected to the distributor's distribution system. To be eligible for the microFIT program, the nameplate capacity of the generation facility can not be greater than 10 kW."

## Positions of the Parties

The Canadian Manufacturers & Exporters (CME), Electricity Distributors Association (EDA), London Property Management Association (LPMA), Power Workers' Union (PWU), School Energy Coalition (SEC), Vulnerable Energy Consumers Coalition (VECC) and Canadian Solar Industries Association (CanSIA) submitted that the proposed service classification was appropriate.

Board Staff submitted that the description of the service classification should be amended to address whether other energy facilities with a capacity of 10 kW or less should be included in the service classification. Board Staff saw merit in expanding the service classification to include generation with a capacity of 10 kW or less for generators that have a separate generation account from any associated load (this is required for embedded retail generators other than those connected indirectly "in series" and that do not have a microFIT contract). This would include generators under the Renewable Energy Standard Offer Program (RESOP) with a nameplate rated capacity of 10 KW or less, and all types of micro size embedded retail generation, not just renewable.

Board Staff suggested that amending the classification may be appropriate since any micro size embedded generator that is required to have a separate account will require metering, billing and settlement services by the distributor. Board Staff further suggested that the costs to a distributor of administering such embedded micro generator accounts would therefore be similar to the costs associated with a generation facility that has a contract under the microFIT program.

In conclusion, Board Staff suggested that the Board may wish to consider the following service classification description:

> *"This classification applies to embedded retail generators as defined in the Distribution System Code that: i) have a nameplate rated capacity of 10 kW or less; and ii) that are required to be treated for billing and settlement purposes as a separate account from any associated load account at the same location".*

ALASI Inc. (Alasi) submitted that the requirement of a separate account for billing and settlement is an administrative choice that has been imposed by the OPA. They argued that this requirement must be distinguished from the requirement to have separate generation metering for settlement calculations.

In conclusion, Alasi submitted that the service classification description be amended as follows:

> *"Any embedded generation facility with separate metering for the output of that generation facility whose associated load customer usage results in low or no grid impact regardless of the system's installed rated capacity, generation technology, or, connection configuration."*

Enwin submitted that they will continue to advocate for the creation of additional rate classes to address cost recovery issues for generators that are not enrolled in microFIT. In the interim, they expect to evaluate the customers' load characteristics and classify accordingly.

The Federation of Ontario Cottagers' Associations (FOCA) submitted that a single service class is appropriate regardless of the related customer load classification since microFIT costs to the distributor for all the residential and general service classes should be similar.

The Green Energy Coalition (GEC) submitted there should be either one classification or, if administratively preferable, two classifications, i.e. load customer micro-FIT generation and non-load customer micro-FIT generation.

**Board Findings**

The Board notes that the impetus for this proceeding is linked to the initiation of the microFIT program by the OPA. The notice issued referred specifically to generators that meet the OPA's requirements. In addition, the Distribution System Code (DSC) addresses the separate matter of embedded retail generators. Accordingly, the Board finds that this process should not be expanded to include other generators. A more specific service classification than the one originally provided should be applied, amended to include only those facilities actually contracted under the OPA's microFIT program. This approach is in keeping with the original impetus and avoids the need to make determinations (in the absence of an OPA contract) as to whether or not a generator has met the program requirements.

The Board therefore approves the following service classification definition, which is to be used by all licensed distributors:

microFIT Generator

> *"This classification applies to an electricity generation facility contracted under the Ontario Power Authority's microFIT program and connected to the distributor's distribution system."*

## 2. Cost Elements to be Recovered

The issue pertaining to Cost Elements to be Recovered reads as follows:

Are the same cost elements applicable to all micro-generation customers?

If so, what cost elements should be used to establish the rate? Based on the Uniform System of Accounts (USoA), which specific accounts or components ought to be included in the development of the rate?

If not, what cost elements should be used to establish the rate? Based on the USoA, which specific accounts or components ought to be included in the development of the rate for microFIT projects that are:

a. Directly connected
b. Indirectly connected
c. Owned by the load customer entity at that location vs. owned by different entity

**Positions of the Parties**

Various cost elements were proposed by the EDA and Hydro One. Several of these cost elements come directly from the Uniform System of Accounts (USoA). The remaining cost elements are derived or allocated from cost elements from the USoA.

The EDA stated that many of the costs associated with residential and small general service (<50 kW) load customers will be associated with microFIT generation customers. Based on a review of the cost elements included in the load customer fixed charge as defined by the Board's cost allocation model, the EDA recommended the inclusion of the following 12 cost elements in the microFIT generator charge.

- Operation Supervision and Engineering (Account 5005);
- Load Dispatching (Account 5010);
- Customer Premises - Operation Labour (Account 5070);
- Customer Premises - Materials and Expenses (Account 5075);
- Maintenance of Meters (Account 5175);
- Meter Reading Expense (Account 5310);
- Customer Billing (Account 5315);

- Amortization Expense - General Plant assigned to Meters;
- Admin and General;
- Allocated PILs;
- Allocated Debt Return; and
- Allocated Equity Return.

The EDA further stated that the same cost elements should be applicable to all microFIT customers, regardless of whether they are directly or indirectly connected, owned by the load customer entity or a different entity. The EDA indicated that the generator charge should be the same regardless of connection type or ownership for the sake of consistency, fairness, efficiency and to minimize confusion.

The EDA stated that anticipated additional costs of Operation Supervision and Engineering (account 5005) are tied to the requirement of tracking the location, size, and operating status of each of the microFIT generation connections to the distribution system.

The EDA also noted that additional costs related to Load Dispatching (Account 5010) are tied to the additional complexity arising from micro-generators requiring two-way electricity flow, compared to the traditional electricity distribution system which was designed for the electricity to flow in only one direction.

The EDA's list of cost items did not include the depreciation expenses associated with metering costs. On the one hand, the EDA stated that Depreciation on Account 1860 - Meter Assets was excluded as the generator customer is required to pay upfront for the cost of the meter. On the other hand, the EDA mentioned that it understood that the long-term replacement of the meter would be the responsibility of the distributor.

The EDA further indicated that since the customer is required to pay for the meters, Account 5065 (Meter Expense) was excluded.

The EDA also mentioned that there may be different cost drivers in those cases where facilities are added when no existing load customer exists.

Hydro One stated that microFIT generators use the same facilities as the main account for the load customer, and that the only incremental facility required is a meter. As a result, Hydro One submitted that a fixed charge equivalent to the fixed charge credit provided to the Unmetered Scattered Load (USL) customers in the EB-2009-0096 proceeding could apply to microFIT generators. The fixed charge credit to the USL customers included the following 10 cost elements:

- Depreciation on Account 1860 Metering;
- Depreciation on General Plant Assigned to Metering;
- Account 5065 - Meter expense;
- Account 5070 & 5075 - Customer Premises;
- Account 5175 - Meter Maintenance;
- Account 5310 - Meter Reading;
- Admin and General Assigned to Metering;
- PILs on Metering;
- Debt Return on Metering; and
- Equity Return on Metering.

Based on this approach, Hydro One calculated the charge as $6.15 per month.

There are commonalities and differences between the EDA's and Hydro One's lists of proposed cost elements. The differences relate to the five cost elements identified below:

- Operation Supervision and Engineering (Account 5005), Load Dispatching (Account 5010) and Customer Billing (Account 5315) are included in the EDA list but excluded from Hydro One's list; and
- Depreciation on Account 1860 - Meter Assets and Meter Expense (Account 5065) are included in Hydro One's list but are excluded from the EDA's list.

Cost elements Operation Supervision and Engineering (Account 5005), Load Dispatching (Account 5010) were directly opposed by Board Staff, FOCA, GEC and VECC. Board staff and VECC submitted that these cost elements should be excluded since they relate to distribution system design issues and related costs and are therefore out of scope. GEC and FOCA submitted that for reasons associated with the unique nature of the proposed customer class, the costs would not materialize. Hydro One indicated that these accounts along with Customer Billing (Account 5315), could be included but did not include them in order to maintain a simplified approach that could be applied in a timely manner and suggested that the inclusion of these costs be considered when more experience becomes available with the connection and operation of microFIT facilities.

CME, FOCA, GEC, LPMA, PWU and SEC submitted that Hydro One's proposed cost elements comprising the USL credit was a reasonable proxy and appropriate approximation of the costs. However, only PWU and SEC were in total acceptance of Hydro One's proposed cost elements. The other parties proposed adjustments (i.e. inclusions or exclusions) to the cost elements proposed by Hydro One.

Additionally, SEC submitted that despite the fact the USL credit is not the perfect proxy, it is close. It stated that those costs included that may not apply are likely offset by costs similar in size that are not included in this charge, and that in the context of a charge of $6.15 per month (for Hydro One), the differences are not material. Board staff supported the inclusion of the Customer Billing (Account 5315) since the presence of separate generation accounts for embedded micro generators would impose additional costs on the distributors.

Board Staff also submitted that Depreciation on Account 1860 - Meter Assets should not be included in the cost element list since embedded micro generators are required to pay for the costs of the meter pursuant to section 6.2.7 of the Distribution System Code. Board Staff argued that despite the fact that the ownership of the meter is with the distributor, a capital contribution from a generator would offset the costs of the meter in the distributor's rate base. Board Staff further argued that since the return of the capital would be calculated on the basis of the net book value of the asset, Depreciation on Account 1860 - Meter Assets should be excluded. Board Staff stated that similarly, the return on the capital is calculated on the basis of the net book value of the asset. Therefore the Allocated Debt and Equity Return is not necessary and therefore should be excluded.

With respect to operating and maintenance costs associated with the meter, Board staff noted that while the generators are required to pay upfront for the cost of the meter, the ownership of the meter resides with the distributor. Board Staff submitted that therefore both Meter Expense (Account 5065) and Meter Maintenance expenses (Account 5175) associated with the meter be included in the list of applicable cost elements.

Board Staff further submitted that the EDA's inclusion of Amortization Expense-General Plant assigned to Meters, Admin and General, and Allocated PILS appeared to be reasonable.

In conclusion, Board Staff submitted that a hybrid comprising of most but not all elements from both the EDA and Hydro One proposals should be used. Specifically, Board Staff submitted that the following 9 cost elements be adopted.

- Customer Premises - Operation Labour (Account 5070);
- Customer Premises - Materials and Expenses (Account 5075);
- Meter Expenses (Account 5065);
- Maintenance of Meters (Account 5175);
- Meter Reading Expense (Account 5310);
- Customer Billing (Account 5315);
- Amortization Expense – General Plant assigned to Meters;
- Administration and General expenses allocated to Operating and Maintenance expenses for meters; and
- Allocated PILS.

VECC submitted that a hybrid comprising of most but not all elements from both the EDA and Hydro One proposals be adopted. Specifically, VECC submitted that the following 11 cost elements be adopted.

- Customer Premises - Operation Labour (Account 5070);
- Customer Premises - Materials and Expenses (Account 5075);
- Maintenance of Meters (Account 5175);
- Meter Reading Expense (Account 5310);
- Customer Billing (Account 5315);
- Amortization Expense – General Plant assigned to Meters;
- Depreciation on Account 1860 Metering;
- Administration and General expenses allocated to Operating and Maintenance expenses for meters;
- Allocated PILS (only general plant assigned to meters and not meters);
- Allocated Debt Return (only general plant assigned to meters and not meters); and
- Allocated Equity Return (only general plant assigned to meters and not meters).

## Board Findings

In the Board's decision establishing the issues list the Board responded to LPMA's and FOCA's submissions related to system benefits by stating that the system design issues and related costs/benefits are out of scope in this proceeding. In keeping with this finding the Board maintains the principle that the costs to be included are strictly related to the administrative activities associated with the customer and will not include any costs related to system operation.

The Board notes SEC's submission that while Hydro One's USL credit proposal is not a perfect proxy it is a reasonable proxy in that costs included that are inappropriate are likely offset by costs that have not been included that are appropriate. The Board acknowledges that the Hydro One proposal has some merit in that it would allow for an expedient implementation and it provides a reasonable basis on which to estimate costs. However, for reasons that follow in the Rate Design section of this Decision, the Board prefers to establish a foundation on which to ultimately determine actual costs associated with this new class of customer.

Therefore the Board finds that Board Staff's recommendation of the inclusion of the 9 cost elements it has identified is the preferred basis on which to make determinations of the costs to be recovered. The 9 cost elements form the basis for establishing **actual** costs and with experience gained as the customer class grows the approach facilitates a more durable cost allocation methodology.

Some of the 9 cost elements listed are likely to be incurred in association with the microFIT Generator class in a manner that is identical to the way they are incurred now in association with the incumbent load class. Others, such as the two accounts related to customer premises may not be the same due to a variation of activities that are normally tracked in these accounts. This variation would be as a result of different customer requirements associated with its distinctive characteristic as a generator.

The Board considers all 9 cost elements to be appropriate at this time but expects distributors to maintain adequate tracking of activities specific to this new class of customer for a sufficient period of time so as to detect any ongoing material variants.

The Board concurs with VECC's submission that only PILS associated with general plant assigned to meters should be included. The Board is of the opinion that this approach better reflects the anticipated additional cost to distributors of administering the accounts of embedded micro generators.

Specifically, the following 9 cost elements are to be used in deriving the rates:

- Customer Premises - Operation Labour (Account 5070);
- Customer Premises - Materials and Expenses (Account 5075);
- Meter Expenses (Account 5065);
- Maintenance of Meters (Account 5175);
- Meter Reading Expense (Account 5310);
- Customer Billing (Account 5315);
- Amortization Expense – General Plant assigned to Meters;
- Administration and General expenses allocated to Operating and Maintenance expenses for meters; and
- Allocated PILS (only general plant assigned to meters).

**3. Rate Design**

The issues pertaining to Rate Design read as follows:

1. Should the approved rate be a uniform rate for all distributors, or should different distributors have different rates?

2. Should the costs be recovered through a fixed charge, a volumetric rate or a combination of the two? If there is to be a volumetric rate, what should be the basis for establishing the charge determinant? If there is to be a combination of fixed and volumetric, what should be the basis for the cost recovery split?

**Positions of the Parties**

Alasi submitted that no cost elements should be recovered directly from microFIT contracted facilities. It recommended that all appropriate costs incurred by distributors should be recovered through a province-wide rate increase for all customers and implemented as a new billing item called the Renewable Energy Recovery Fee.

CanSIA submitted that the costs associated with billing, metering, administration and settlement act as a barrier and deterrent to the deployment of micro-scale renewable energy projects across the province. It suggested that these costs should not be borne by microFIT generators but they should be socialized into the utility's electricity rates borne by the entire consumer base.

Parties saw no justification for any volumetric distribution charges, since the administrative cost elements to be recovered are fixed costs and do not vary due to energy throughput or capacity.

The EDA proposed a two-phase approach to setting a just and reasonable rate to recover the costs associated with micro generators. The first phase, involving a single, province-wide fixed rate based on the average of 12 cost elements (proposed by the EDA) derived from the residential load customer cost allocation model. The second phase would allow a distributor to continue to use the province-wide rate or to apply for an individual distributor specific rate, if the provincial rate is unsuitable to its particular circumstances.

Board Staff submitted that it agreed with the EDA's recommendation that it would be appropriate to start with a single provincial customer fixed charge for all embedded micro generators, as it could be implemented in a timely manner. Board Staff further stated that in a manner similar to the one proposed by the EDA, the single provincial customer charge would be derived by calculating an average of the distributors' allocated costs to the residential class for the cost elements approved by the Board in this proceeding. Board Staff concluded by stating that as experience is gained, a distributor could elect to apply for a distributor-specific fixed charge as part of a cost-of-service application.

GEC submitted that it would be preferable to provide a single province-wide rate to allow for ease of information gathering for potential microFIT generators.

CME, Enwin, FOCA, LPMA, PWU and VECC submitted that the cost structure for each distributor should be reflected in the resulting rates and therefore a uniform province-wide rate appears inappropriate. They recommended that the rate should be distributor specific to reflect distributor specific costs.

SEC submitted that a rate set at the level of each distributor's USL credit, while not uniform across the province, is sufficiently similar to be appropriate.

**Board Findings**

CanSIA's and Alasi's respective proposals were that costs should not be borne by microFIT generators but they should be socialized either into the utility's electricity rates borne by the entire consumer base as per CanSIA's submission or through a provincial wide rate called the Renewable Energy Recovery Fee as per Alasi's submission.

The Board commenced this proceeding on its own motion in anticipation of the OPA's initiation of the microFIT program. The reasoning the Board has applied in reaching its findings in this decision is largely based on the removal of barriers to the expansion of the nascent microFIT program. The Board considers the rate and in turn the costs to be borne by the microFIT Generation class to be reasonable and not an undue barrier to the expansion of the class. The anticipated costs are in line with what appears to have been considered by the OPA in its analysis.

The Board accepts the submissions of parties that the costs should be recovered only through a fixed monthly service charge. A variation of generation output does not result in a variation of the administrative costs associated with this class of customer.

The Board finds that a single, province-wide rate for all distributors should be established at this time. A rate based on the weighted average of the current cost experiences of the distributors has merit for the following two reasons.

First, in consideration of the Board's objective to promote renewable sources of energy this approach will provide a single input cost component to the microFIT program province wide. The narrowing of the cost assumptions being made by both the OPA and microFIT program applicants will enhance the attractiveness and effectiveness of the program.

Second, as previous cost allocation studies have demonstrated, variations in the manner in which distributors account for costs associated with customer classes exists and result in materially disparate outcomes. The Board has recognized this reality in its cost allocation report of November 28, 2007 (Application of Cost Allocation for Electricity Distributors, EB-2007-0667). Steps have been taken in recent rate decisions to alleviate the situation but the development of a more uniform cost allocation methodology across all distributors is still a work in progress. The material variation could be magnified if a sub-set of accounts associated with a customer class is parsed off and compared in isolation. Aggregating the cost experiences of the distributors on a weighted average basis will establish a reasonable starting point for a new customer class and avoid the exacerbation of the problem cited above of having a wide range of cost input assumptions for the microFIT program.

This rate will be determined based on the customer weighted average of the 9 cost elements for each distributor. Using the cost elements as approved in the previous section, the Board will require all distributors to provide this data so that the calculation can be performed (see the Order below).

As stated earlier, the Board sees merit in establishing a foundation on which actual costs can be determined. Over time and with empirical information regarding the costs associated with this new class, the Board will be in a better position to consider the effectiveness of this rate in both the promotion of renewable generation and the appropriate allocation of costs. If it is determined that the actual costs for these customers are significantly disparate across distributors then the Board may consider moving to utility specific rates at some point in the future.

## 4. Implementation

The Issue pertaining to implementation reads as follows:

What should the effective date be for any new rate or rates created by this proceeding? Does the incentive regulation framework pose any difficulties for implementation?

### Positions of the Parties

Board Staff submitted that September 21, 2009 would be a suitable effective date for any new rate or rates established in this proceeding, particularly if the Board were to extend the service classification to cover generators beyond those that are eligible for the microFIT program.

The CME, EDA, Enwin, LPMA and VECC submitted that that the effective date for any new rate or rates created by this proceeding should be the same as the effective date for new rates in 2010, i.e. May 1, 2010.

FOCA recommended implementation by mid-2010. It rationalized that this would coincide with the start of the construction season and the earliest possible date that a competitive photo-voltaic and inverter industry could establish itself in Ontario.

GEC submitted that the resulting charges should be implemented immediately and be retroactive to the implementation date of the micro-FIT tariff to avoid marring the start up of the micro-FIT program.

SEC submitted that this new rate, if it is equal to the USL credit, should be implemented by all distributors immediately, and be deemed to be incorporated into the tariffs of each distributor as soon as the Board's decision is announced.

Alasi submitted that the effective date for the new rates should be retro-active to at least one year prior to the launch of the Renewable Energy Standard Offer Program.

CanSIA submitted that changes should be implemented as soon as possible in a time sensitive manner.

Most parties were silent on whether the incentive regulation framework would pose any difficulties for implementation. PWU submitted that the incentive regulation framework does not pose any difficulties. Hydro One and VECC submitted that the same adjustment mechanism should be applied to the microFIT rate as is applied to the other basic rates under the incentive regulation framework.

**Board Findings**

The Board intends to adopt the date of the establishment of the interim rate; namely, September 21, 2009 as the effective date for the new rate to ensure that the appropriate rate is applied to the microFIT generators from the time they have an OPA contract and are connected to a distribution system.

**Cost Awards**

The Board may grant cost awards to eligible intervenors pursuant to its power under section 30 of the *Ontario Energy Board Act, 1998*. The Board will determine cost awards in accordance with its Practice Direction on Cost Awards. When determining the amount of the cost awards, the Board will apply the principles set out in section 5 of the Board’s Practice Direction on Cost Awards.  The maximum hourly rates set out in the Board’s Cost Awards Tariff will also be applied.

**The Board Orders That:**

1. Each distributor shall establish the approved service classification for microFIT Generation accounts and shall amend its Conditions of Service accordingly.

2. To enable the Board to determine the level of the province wide rate, distributors shall provide to the Board the value of each of the cost elements as outlined in Appendix D of this Decision within **20 days** of the issuance of this Decision.  For each required cost element, the sheet number, row number, column name and Uniform System of Accounts number (where applicable) references related to the Cost Allocation Model have been provided.  Please include the year of the most recent Cost Allocation study (either 2006 or 2010).  In the interests of practicality, the Board will deem the calculated rate to be acceptable if it is based on input representing at least one third of the electricity distributors and at least one half of all residential electricity customers in the province.  The resultant rate will be provided to all distributors and interested parties thereafter.

3. The service classification and rate established as a result of this proceeding shall be part of each distributor’s approved Tariff of Rates and Charges.  The approved Tariff of Rates and Charges shall be updated to include these elements at the time of the next general rate change.

4. Eligible intervenors shall file with the Board and forward to all distributors their respective cost claims within 14 days from the date of this Decision.

5. Distributors shall file with the Board and forward to eligible intervenors any objections to the claimed costs within 28 days from the date of this Decision.

6. Eligible intervenors shall file with the Board and forward to distributors any responses to any objections for cost claims within 35 days of the date of this Decision.

7. Distributors shall pay the Board’s costs incidental to this proceeding upon receipt of the Board’s invoice.

All filings with the Board must quote the file number EB-2009-0326, and be made through the Board's web portal at www.errr.oeb.gov.on.ca, and consist of two paper copies and one electronic copy in searchable / unrestricted PDF format. Filings must be received by the Board by 4:45 p.m. on the stated date. Please use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at www.oeb.gov.on.ca. If the web portal is not available you may e-mail your documents to the attention of the Board Secretary at BoardSec@oeb.gov.on.ca. All other filings not filed via the Board's web portal should be filed in accordance with the Board's Practice Directions on Cost Awards.

**DATED** at Toronto, February 23, 2010

**ONTARIO ENERGY BOARD**

*Original signed by*

Kirsten Walli
Board Secretary

**APPENDIX A**

# Final Issues List for the examination and recovery of costs associated with an embedded generation facility within the microFIT program.

**Service Classification**

1. Is the description/definition for the embedded micro-generation service classification shown below appropriate? If not, what should be the description/definition of this service classification?

   "This classification applies to an electricity generation facility meeting the eligibility requirements of the Ontario Power Authority's microFIT program and connected to the distributor's distribution system. To be eligible for the microFIT program, the nameplate capacity of the generation facility can not be greater than 10 kW."

**Cost Elements to be Recovered**

2. Are the same cost elements applicable to all micro-generation customers?

   If so, what cost elements should be used to establish the rate? Based on the Uniform System of Accounts (USoA), which specific accounts or components ought to be included in the development of the rate?

   If not, what cost elements should be used to establish the rate? Based on the USoA, which specific accounts or components ought to be included in the development of the rate for microFIT projects that are:

   a. Directly connected
   b. Indirectly connected
   c. Owned by the load customer entity at that location vs. owned by different entity

**Rate Design**

3. Should the approved rate be a uniform rate for all distributors, or should different distributors have different rates?

4. Should the costs be recovered through a fixed charge, a volumetric rate or a combination of the two? If there is to be a volumetric rate, what should be the basis for establishing the charge determinant? If there is to be a combination of fixed and volumetric, what should be the basis for the cost recovery split?

**Implementation**

5. What should the effective date be for any new rate or rates created by this proceeding? Does the incentive regulation framework pose any difficulties for implementation?

**APPENDIX B**

**Ontario Energy Board**

**EB-2009-0326**

# APPLICANT & LIST OF INTERVENORS

**February 23, 2010**

| **APPLICANT** | **Rep. and Address for Service** |
|---|---|
| **Ontario Energy Board** | **- Ontario Energy Board**<br><br>Ontario Energy Board<br>2300 Yonge Street<br>27th Floor<br>Toronto, on  M4P 1E4<br><br>Tel: 416-481-1967<br>Fax: 416-440-7656<br>boardsec@oeb.gov.on.ca |

**INTERVENORS**
**All Electricity Distributors**

| | **Rep. and Address for Service** |
|---|---|
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# APPENDIX C

## INTERVENORS ELIGIBLE FOR AN AWARD OF COSTS

- Canadian Manufacturers and Exporters;
- Consumers Council of Canada;
- Energy Probe;
- Federation of Ontario Cottagers’ Associations (disbursements only);
- Green Energy Coalition;
- London Property Management Association;
- Pollution Probe;
- Toronto Community Housing Corporation;
- School Energy Coalition; and
- Vulnerable Energy Consumers Coalition.

**APPENDIX D**

## SPECIFIC COST ELEMENT DATA TO BE PROVIDED BY DISTRIBUTORS

### Data required for the calculation of the uniform province-wide rate

Please extract this data from your last available Cost Allocation Model and please identify the year. Please populate rows “Name of distributor” and “Year of Cost Allocation Study” and column “Data Input”.

| Name of distributor | | | | | | |
|---|---|---|---|---|---|---|
| Year of Cost Allocation Study | | | | | | |
| # | Cost Element Name | Uniform System of Accounts (USoA) Number | Sheet Number | Row Number | Column Name | Data Input |
| 1 | Customer Premises - Operation Labour | 5070 | O2 | 111 | Residential | |
| 2 | Customer Premises - Materials and Expenses | 5075 | O2 | 112 | Residential | |
| 3 | Meter Expense | 5065 | O2 | 110 | Residential | |
| 4 | Maintenance of Meters | 5175 | O2 | 117 | Residential | |
| 5 | Meter Reading Expense | 5310 | O2 | 120 | Residential | |
| 6 | Customer Billing | 5315 | O2 | 121 | Residential | |
| 7 | Amortization Expense - General Plant assigned to Meters | | O2 | 130 | Residential | |
| 8 | Admin and General | | O2 | 131 | Residential | |
| 9 | Allocated PILs (Directly Related Costs) | | O2 | 132 | Residential | |
| 10 | Allocated PILs (Avoided Costs) | | O2 | 81 | Residential | |
| 11 | Total Number of Customers | | I6 | 38 | Residential | |