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Vice President and Chief Regulatory Officer
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BY COURIER

February 9, 2006

Mr. John Zych
Secretary
Ontario Energy Board
Suite 2601, 2300 Yonge Street
P.O. Box 2319
Toronto, ON.
M4P 1E4

Dear Mr. Zych:

EB-2005-0528 Hydro One Networks Inc.'s Application to Establish Rates for Distributed Generators on an Interim Basis – Responses to Interrogatories from VECC

As noted in the February 6th, 2006 memo from VECC, we had committed to respond to their questions on a best efforts basis. Accordingly, please find enclosed ten (10) copies of Hydro One Networks' responses to their interrogatories in this matter.

An electronic copy also will be e-mailed to your office, the Board staff copied below and all intervenors in this case.

Questions may be addressed to Carolyn Russell (Senior Advisor, Regulatory Affairs), who may be reached by phone (416) 345-5914, fax (416) 345-5866, or e-mail: carolyn.russell@HydroOne.com. Her address is Hydro One Networks Inc., 483 Bay Street, South Tower, 8th Floor, Toronto, Ontario M5G 2P5.

Yours truly,

Susan Frank

cc. Mr. Harold Thiessen
Mr. Rudra Mukherji
Ms. Donna Campbell

1 **Vulnerable Energy Consumers Coalition (VECC) INTERROGATORY #1 List 1**

2
3 **Interrogatory**

4
5 Reference: Exhibit A, Tab 1, Schedule 1, page 2

6
7 Preamble: “It is Hydro One’s intent to file for rates based on a cost allocation study
8 in a future hearing”

- 9
- 10 a) What is Hydro One’s current expectation as to the timing of its filing of an
11 Application for Distributed Generator rates based on a cost allocation study?
- 12
- 13 b) Given that the current Application is for “interim rates”, would the rates that are
14 ultimately approved for Distributed Generators (based on a cost allocation study)
15 be the “final” rates applicable to Distributed Generators effective as of when the
16 current Application’s rates are approved for implementation?
- 17
- 18 c) If the response to (b) is yes, would Hydro One’s Distributed Generator customers
19 would be charged/credited with any differences arising from the application of the
20 interim versus the final approved rates during the period that the interim rates are
21 in effect? If not, please explain why?
- 22
- 23 d) If the response to part (b) is no, what is the purpose in requesting that the rates
24 applied for in the current Application be declared interim?
- 25

26
27 **Response**

- 28
- 29 a) Hydro One would file its cost allocation study information along with other
30 distributors, as per the model and schedule set by the Board. This is anticipated to
31 happen in the Fall of this year. It would then expect to include an application for
32 distributed generator rates as part of an overall application for distribution rates based
33 on the Board’s cost allocation review, according to the next schedule set by the
34 Board. At this time, however, Hydro One cannot say with certainty what that
35 schedule might be.
- 36
- 37 b) No, Hydro One would expect that the rates ultimately approved for distributed
38 generators would be effective as of the date that the *next* application’s rates are
39 approved for implementation.
- 40
- 41 c) Please see b) above.
- 42

- 1 d) The purpose in requesting these rates on an interim basis is to provide distributed
- 2 generators some immediate assistance in promoting distributed generation in the
- 3 Province, until cost allocation information is available.

1 **Vulnerable Energy Consumers Coalition (VECC) INTERROGATORY #2 List 1**

2
3 **Interrogatory**

4
5 Reference: Exhibit B, Tab 1, Schedule 1, page 1

6
7 Preamble: “The interim rates would be offered to eligible generator customers”

- 8
9 a) Would eligible generator customers include load displacement customers of
10 Hydro One Distribution whose own requirements for electricity are typically less
11 than their generators output or would only true “merchant generators” be eligible?
12
13 b) Would eligible generators be required to have a Generator’s License from the
14 OEB? If not, why not?

15
16 **Response**

- 17
18 a) The proposed interim distributed generator rates would be applicable only to
19 “merchant generators” and not to load displacement generators.
20
21 b) Yes, generators eligible for this rate would be required to have a generator’s licence,
22 unless they have received an exemption from this requirement.

1 **Vulnerable Energy Consumers Coalition (VECC) INTERROGATORY #3 List 1**

2
3 **Interrogatory**

4
5 Reference: Exhibit B, Tab 1, Schedule 1, page 1

6
7 Preamble: “Currently, distribution connected generators are billed as any other
8 customer and are applied monthly service charges regardless of volumetric
9 use”

10
11 “Waiving the service charge for these customers would help remove a
12 financial barrier to the implementation of DG in Ontario”

13
14 “Until Hydro One can further explore the appropriate cost treatment of
15 generator customers at the time it proposes cost-based rates”

- 16
17 a) Is it Hydro One’s view that the rates payable by distributed generators should be
18 cost-based using the same cost-based principles as would apply to other
19 distribution connected customers? If not, why not.
20
21 b) Does Hydro One currently have any evidence that demonstrates that the
22 distribution revenues collected from distributed generator customers (as group)
23 exceed the distribution costs to serve them? If so, please provide.
24
25 c) Does Hydro One currently have any evidence that demonstrates that the
26 distribution costs to serve a distributed generator customer are less than the cost
27 of serving a typical general service or T-Class customer of the same size? If so,
28 please provide.
29

30
31 **Response**

- 32
33 a) Yes, Hydro One is of the view that rates payable by distributed generators should be
34 cost-based. This proposal is an interim measure until cost allocation information
35 becomes available.
36
37 b) No, Hydro One has no evidence that demonstrates that the distribution revenues
38 collected from distributed generator customers exceed the distribution costs to serve
39 them.
40

- 1 c) No, Hydro One has no evidence that demonstrates that the distribution costs to serve
- 2 a distributed generator customer are less than the costs to serve a typical General
- 3 Service or T-Class customer of the same size.

- 1 b) Yes, the transmission charges which a transmission-connected generator may be
2 required to pay include the costs of bill processing, meter reading, etc.
3
4 c) No, Hydro One did not consider this alternative.
5
6 d) Please see the response to c) above.
7
8 e) Given the variation of consumption amongst merchant generators, this approach
9 would not be a simple undertaking. Some customers would benefit and others would
10 be adversely impacted.

1 **Vulnerable Energy Consumers Coalition (VECC) INTERROGATORY #5 List 1**

2
3 **Interrogatory**

4
5 Reference: Exhibit B, Tab 1, Schedule 1, page 5

6
7 Preamble: “The proposed rates would affect the 86 generators currently connected to
8 Hydro One’s distribution system and new generator customer meeting the
9 class criteria”

- 10
11 a) Please provide a schedule that breaks out the existing number of generators
12 connected to Hydro One’s distribution system by class (i.e., T-Class, G3 and GS
13 (acquired)). In doing so, please set out the number of G (acquired) distributed
14 generators in each acquired utility.
15
16 b) How much of estimated \$160,000 annual shortfall is associated with existing
17 distributed generator customers?
18
19 c) What is the annual energy consumed by the existing 86 generators (e.g., based on
20 the most recent 12 months available billing data)?
21

22
23 **Response**

- 24
25 a) The 86 generators are classified as follows:
26 • 52 are T-class customers,
27 • 33 are Three-Phase General Service customers and
28 • One is a General Service customer of an acquired utility (Eganville).
29
30 b) All of the \$160,000 is associated with the fixed charge currently recovered from
31 distributed generators.
32
33 c) The annual energy consumed in 2004 by the 86 generators was 4.5 GWh.