



**Grimsby Power Incorporated**

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May 9, 2007

Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
2300 Yonge Street  
Suite 2700  
Toronto, ON  
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**Re: Review of Electricity Rate Design EB 2007-0031**

Dear Ms. Walli,

March 30, 2007 the Board issued a staff discussion paper and requested interested parties to provide written comments.

Grimsby Power wishes to provide comment on the following matters and questions posed in the staff paper for the Ontario Energy Board's consideration.

**Rate Design Principles**

- *Are there any principles, beyond the generally accepted, traditional principles of rate design listed, that the Board should consider in designing distribution rates? What is the new principle's importance relative to the others?*

Grimsby Power is an advocate of user pay. However, there will always be cross subsidization between the classes. The recent cost allocation study is an attempt to minimize cross subsidies. But it remains a best guess on many fronts.

Staff has questioned using distribution rates to encourage conservation, and discourage peak system use. While we agree with the principles, we believe that this is better accomplished through the commodity costs versus distribution rates. The promotion of distributed generation creates cross subsidization of one segment of the power delivery over another and we cannot support this through distribution rates.

## **Customer Classes**

- *What is the most appropriate basis for determining the service classifications for Ontario distribution customers?*
- *Should sub-classifications be maintained? If so, what is the most appropriate method to allocate diversity benefits?*

Grimsby Power believes that the current rate classes are appropriate. However, we believe that there should be differing sub classes within a rate classification. There might even be a sub class within a sub class to minimize cross subsidization.

We believe that the appropriate method of creating the sub class should be based on amperage, which is generally an indicator of the power requirements of a customer. It is the amperage that dictates the size of the system requirements and power being 'reserved' for that customer. Therefore, we suggest that the residential class would have 3 sub classes of 200 ampere, 400 ampere and greater than 400 ampere. General Service less than 50 kW would have single phase 100 ampere, 200 ampere and 400 ampere. They would also have three phase 100 ampere and 200 ampere. General Service greater than 50 kW would have 3 phase 400 ampere, 600 ampere, 800 ampere, 1000 ampere and 1200 ampere. Services above 1200 ampere would be in a different class.

Within the sub classes, additional sub classes could be created depending on the customer needs or requirements from the LDC. For example, we have some services\customers in specific areas that typically require more personnel time due to manage the account for various reasons such as collections, high bill complaints, constant change tenancy or write offs. It is recognized that a portion of the costs are collected through service charges but we believe it is an increased cost above these rates that are being shared by all customers and adversely effects productivity and costs.

Since we are a small LDC without large customers, we believe that a diversity credit would only complicate the billing systems requirements beyond the benefit for us. Diversity credits might be applicable to large industry, provided that they can be adequately track and that they are not creating a system, which increases costs and the complexity of the billing systems.

## **Rate Design Components**

- *Are there other rate design components or options that the Board should consider as it moves forward?*
- *What are the principles that should inform the decision on fixed and/or variable rates?*

Grimsby Power believes that the distribution cost of service should be 100% fixed and based on the rate and sub classifications as suggested above. The cost to service customers does not change regardless of weather or consumption. A fixed rate eliminates additional regulation and costs for loss revenue adjustments from conservation and demand management, weather normalization forecasts or controversy and other factors. When electric systems are designed, they are done based on an average. For example, in Grimsby we know that the average residential customer uses about 3 kW. The number and 'type' of customer will depend on whether they use more or less power. (By type of customer we mean large or small consumer based on their standard of living.) Using a variable rate can cause a LDC to under collect or over collect depending on variables outside of their control.

- *Should the billing determinants be consistent for all customer classifications?*
- *What are the most appropriate billing determinants for each customer classification?*

Grimsby Power does not intend to comment on the billing determinants except to say that the billing determinants should be determined for 100% recovery of a LDC's rates through the fixed charge.

- *Should the Board pursue an analysis of use-of-system rates for distributed generation to investigate rates and determinants?*

Grimsby Power believes that all customers need to pay their own costs. Any 'discount' should come on the price they are paid for generation of the commodity. We believe that distributed generation should be treated the same as standby generation. Both draw power from a LDC's system and we must reserve the full name plate rating of the transformer to meet their requirements when they are incapable of generating. To do differently, creates cross subsidization by the other classes. Distributed generation and standby generation provide little benefit for the other customers within a LDC's service territory.

- *How important is consistency of the rate design model across the province?*

Consistency in rate design across the province is important. Consistency in rates is less important. Customers have chosen their location. Rates are necessary to recover the costs to service those customers and are in part based on the capital reinvestment in a LDC's infrastructure.

- *Is one single rate order (or a few regional rate orders) to be used by all distributors a desirable outcome?*

Grimsby Power does not believe in a single rate order regardless of whether it is set for the province or region. This creates cross subsidies and is unfair to customers where their LDC has had an active reinvestment in infrastructure versus a LDC that has not been as active. Postage stamp rates for transmission might be practical as there is a provincial cost to get the commodity\generated power to the load centres.

- *Should distributors offer various levels of service?*

Grimsby Power believes that this is an individual LDC decision, which needs to be approved by the OEB. Large rural areas and network systems have different needs and costs to maintain. These might be two examples of different service levels. However, in the case of Grimsby Power, we do not believe that different service levels are applicable.

- *Should distributors be able to buy (offer credit for) services from customers?*

We believe that buying specific services for customers again needs to be a decision made by an LDC and customer. The cost of these services as required and available should not be regulated. However, the cost of this service should ensure full cost recovery accounting.

- *Should the Board investigate a rate design model based on long run marginal costs?*

Grimsby Power does not believe that there is a cost benefit to do long run marginal costs. In fact we see this as an added burden to the already increasing cost on customers for all the regulatory requirements.

- *Should the Board investigate locational rates for any customers connected to a distribution system?*

Grimsby Power does not believe in locational rates for our customers given the size of our service territory. If locational rates are implemented, we caution the impact on existing customers that have made business\family decisions based on existing rates. Further, the location of distribution facilities is based on the costs\location of supply. Local Municipal Plans might prohibit certain customers from being in a location and could pay more or less depending on the circumstance.

- *Given the simplified bill, can a conservation and/or demand management effect be achieved through distribution rate design?*

Grimsby Power believes that the best way to generate conservation and demand management culture is through the commodity cost and not through distribution charges. For reasons stated above, we believe that customers should pay a fixed cost for distribution. Customers are becoming confused under the present rate structure, when they do conservation they expect the bottom line to be reduced. However, they then hear that LDCs are raising the distribution cost to cover the lost revenue from the variable distribution rate. We believe they feel they are on a merry go round and if costs are only going to go up, why bother.

We believe a better incentive for General Service greater than 50 kW is to charge a 'provincially' levied demand charge. This would act as an incentive for them to reduce demand. Critical demand pricing could also be implemented provincially to encourage reduction during critical shortages of generation.

We hope that the Ontario Energy Board finds our comments of some use in the decision process to frame future rate design and cost recovery that is fair to all consumers.

Yours truly,

Brian Weber