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January 14, 2011

VIA MAIL and E-MAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge St.
Toronto, ON
M4P 1E4

Dear Ms. Walli:

Re: Vulnerable Energy Consumers Coalition (VECC)
Final Submissions: EB-2010-0143 Wasaga Distribution Inc. – 2011 Electricity
Distribution Rate Application

Please find enclosed the submissions of the Vulnerable Energy Consumers Coalition in the above noted proceeding.

Thank you.

Yours truly,

Michael Buonaguro
Counsel for VECC
Encl.

cc: Joanne Tackaberry, CGA
Manager, Administrative & Financial Services
Wasaga Distribution Inc.

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Sch.B, as amended;

AND IN THE MATTER OF an Application by Wasaga Distribution Inc. pursuant to section 78 of the *Ontario Energy Board Act* for an Order or Orders approving just and reasonable rates for electricity distribution to be effective May 1, 2011.

FINAL SUBMISSIONS

On Behalf of The

VULNERABLE ENERGY CONSUMERS COALITION (VECC)

January 14, 2011

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Vulnerable Energy Consumers Coalition (VECC)
Final Argument

1 The Application

- 1.1 Wasaga Distribution Inc. (“Wasaga”, “the Applicant,” or “the Utility”) filed an application (“the Application”) with the Ontario Energy Board (“the Board” or “the OEB”) on September 28, 2010 under section 78 of the Ontario Energy Board Act, 1998 for electricity distribution rates effective May 1, 2011. The Application was filed in accordance with the OEB’s guidelines for 3rd Generation Incentive Regulation, which provide for a formulaic adjustment to distribution rates and related charges.
- 1.2 As part of the Application, Wasaga applied to recover the impact of lost revenues associated with various conservation and demand management (CDM) activities (i.e., an LRAM recovery). Wasaga is also seeking a Shared Savings Mechanism recovery.
- 1.3 The following section sets out VECC’s final submissions regarding these aspects of the Application.

2 Lost Revenue Adjustment Mechanism (LRAM) and Shared Savings Mechanism (SSM) Recovery

LRAM –Third tranche CDM

- 2.1 VECC is concerned about the position of Wasaga with regard to the use of Best Available Input assumptions as required by the Board’s TRC Guidelines Section 7.3 and the Board’s Letter of January 29, 2009 regarding its adoption of the OPA Measures and Assumptions List as the Best Available Input assumptions.
- 2.2 Wasaga’s (revised) interpretation of the Guidelines (VECC IRR#3) is that the direction to apply the Best Available Input Assumptions at the time of the independent third party review only applies to the savings for measures installed in 2005-2008 that produce kWh and kW savings *persisting beyond January 2009* or

new measures implemented after January 2009.

2.3 Wasaga has therefore revised its kWh savings and to use the OEB input assumptions for the savings for 3rd tranche CDM for the period 2005-2008 and the OPA values for the period for the same measures persisting beyond 2008.

2.4 VECC disagrees strongly with Wasaga's interpretation of the Board's Direction and notes that several other utilities (eg. Wellington North) have adopted this position.

2.5 For LRAM the Guidelines and Policy Letter of January 27, 2009 Specify that

LRAM

The input assumptions used for the calculation of LRAM should be the best available at the time of the third party assessment [emphasis added] referred to in section 7.5. For example, if any input assumptions change in 2007, those changes should apply for LRAM purposes from the beginning of 2007 onwards until changed again.....

2.6 VECC suggests that one reason for the Board's direction was to create a level playing field and a consistent approach to making LRAM claims as accurate as possible so that:

- ratepayers do not pay for savings that were not realized and
- incorporation of CDM into Load forecasts does not result in overstated loads.

2.7 VECC notes that since Fall 2006 OPA changed its input assumptions for CFLs and other mass market measures for all of its Every Kilowatt Counts campaigns. Specifically the savings for 15w CFLs was reduced from 104 kWh to 43 kWh-the value subsequently incorporated into the OPA Measures and Input Assumptions List. Wasaga has now increased the savings for CFLs to the original OPA 2005/2006 and OEB value.

2.8 VECC submits that for LRAM claims the use of best available assumptions should apply retroactively to prior years' calculations as part of the independent review. The Board Guidelines adopted the "go forward" approach for SSM, but not for

LRAM.

2.9 By reversing its position and revising its LRAM claim, Wasaga has gone against the independent third party review by Burman Consulting who consulted with Board staff and conducted its review and prepared the LRAM claim consistent with VECC’s interpretation of the Board’s direction.

“For all programs/projects, the most recently published OPA assumptions and measures list were used in LRAM calculations in accordance with OEB’s direction letter, Conservation and Demand Management (“CDM”) Input Assumptions Board File No.: EB-2008-0352, January 27, 2009 and consistent with recent Decision and Order EB-2009-0192 for Horizon Utilities Corporation that directed LRAM calculations use the most current available input assumptions for all CDM programs.(Burman Report Page 5)

2.10 The inconsistent use of input assumptions in the revised claim, particularly for Mass Market CDM Measures has lead to revised inflated Kilowatt hour savings and LRAM claim for Third tranche CDM programs.

| | As Filed | | | Updated | | | Variance |
|---|----------|------|----------------------|---------|------|----------------------|--------------------|
| | kWh | kW | \$ | kWh | kW | \$ | |
| 2006 | | | | | | | |
| Lighten Your Electricity Bill | 60,415 | 6.4 | \$ 981.75 | 98,904 | 5.79 | \$ 1,607.19 | \$ 625.44 |
| Lightbulb Giveaway - Project Porchlight | | | | | | | \$ - |
| 2007 | | | | | | | |
| Lighten Your Electricity Bill | 60,415 | 6.4 | \$ 970.67 | 98,904 | 5.79 | \$ 1,589.06 | \$ 618.39 |
| Lightbulb Giveaway - Project Porchlight | | | | | | | \$ - |
| 2008 | | | | | | | |
| Lighten Your Electricity Bill | 60,415 | 6.4 | \$ 972.69 | 98,904 | 5.79 | \$ 1,592.35 | \$ 619.66 |
| Lightbulb Giveaway - Project Porchlight | 252,720 | 5.85 | \$ 4,068.79 | 610,740 | 0 | \$ 9,832.91 | \$ 5,764.12 |
| 2009 | | | | | | | |
| Lighten Your Electricity Bill | 60,415 | 6.4 | \$ 976.71 | 60,415 | 6.4 | \$ 976.71 | \$ - |
| Lightbulb Giveaway - Project Porchlight | 252,720 | 5.85 | \$ 4,085.64 | 252,720 | 5.85 | \$ 4,085.64 | \$ - |
| Total LRAM | | | \$ 136,953.32 | | | \$ 144,580.93 | \$ 7,627.61 |

2.11 VECC urges the Board to reject Wasaga’s revised LRAM claim and direct that for all Mass Market Measures (CFLs etc) the OPA Mass Market Measures and Assumptions List Annual Energy Savings (kwh) values be used, as was the case for the original residential as filed LRAM claim verified by Burman.

2.12 VECC cannot verify that the original “as filed” LRAM claim is accurate. However Burman Consulting is an experienced and competent third party reviewer of LRAM/SSM claims and hence in default of requiring more time and effort by

Wasaga the Board should accept the original claim as filed.

Rate Class

| | LRAM \$ | SSM \$ | TOTAL \$ |
|-----------------------------|--------------|------------|--------------|
| <u>Third Tranche</u> | | | |
| RESIDENTIAL | \$12,403.57 | \$7,629.86 | \$20,033.43 |
| GENERAL SERVICE <50KW | \$509.60 | \$635.85 | \$1,145.45 |
| UNMETERED SCATTERED LOAD | \$6.38 | -\$563.65 | -\$557.27 |
| <u>OPA Programs</u> | | | |
| RESIDENTIAL | \$88,500.24 | | \$88,500.24 |
| GENERAL SERVICE <50KW | \$3.73 | | \$3.73 |
| GENERAL SERVICE >50KW | \$2,631.96 | | \$2,631.96 |
| | \$104,055.47 | \$7,702.06 | \$111,757.53 |

Burman Report Page 4

The proposed rate riders should be modified to correspond.

| | LRAM/SSM \$ | Billing Determinants (Note 1) | Volumetric Rate |
|--|--------------|-------------------------------|-----------------|
| <u>Third Tranche & OPA Programs</u> | | | |
| - RESIDENTIAL | \$108,533.67 | 67,145,248 | \$0.0016 |
| GENERAL SERVICE <50KW | \$1,149.18 | 12,946,028 | \$0.0001 |
| - GENERAL SERVICE >50KW | \$2,631.96 | 15,477,900 | \$0.0002 |
| UNMETERED SCATTERED LOAD | -\$557.27 | 167,496 | -\$0.0033 |
| | \$111,757.53 | | |

Note 1

2009 Audited RRR - see sheet B1.3 Rate Class and Billing Determinants of the 2011 IRM Deferral and Variance Account Workform

LRAM-OPA CDM Programs

2.13 VECC accepts for LRAM purposes, the OPA Verification of OPA-funded CDM programs.

SSM

2.14 Because of the non-retroactivity provision in the Guidelines for SSM claims for third tranche and rate-funded CDM, VECC accepts that Wasaga has used the OEB input assumptions for the years for the SSM claim as filed.

2.15 However there is an issue whether these input assumptions were in fact the best available at the time the program was implemented for 2007 and beyond.

2.16 This issue relates to fact the fact that OPA revised its input assumptions in fall 2006 for CFLs, SLEDs and other mass market measures, under its Every Kilowatt Counts (There is no SSM available to LDCs for OPA-funded programs).

2.17 The SSM claim has been prepared using annual savings of 104 kWh for 15W CFLs instead of 43 kWh/yr used by OPA in fall 2006 and beyond and subsequently incorporated into its Measures and Assumptions Lists now adopted by the Board. (Response to VECC IRR#4 OPA Results lines 9 and 40 -104 kWh vs 43 kWh)

2.18 The difference is material in the case of Wasaga, since CFL handouts comprise a major component of the Wasaga SSM Claim. Accordingly, since SSM computes the NPV of savings over the life of the measure, in VECC's submission the SSM clam for third tranche residential measures is inflated.

2.19 Accordingly, if the Board agrees with VECC that there is a gross inconsistency in the assumptions used between the OPA Results for 2006-2009 EKC campaign savings and the Wasaga SSM claim, the latter should be revised to use the OPA EKC values for all similar third tranche funded measures. VECC requested this calculation in IR#1 but Wasaga did not provide this in its response.

Summary

2.20 VECC urges the Board to reject Wasaga's revised LRAM claim and direct that for all Mass Market Measures the OPA Mass Market Measures and Assumptions List Annual Energy Savings (kwh) values be used for LRAM claims.

2.21 With regard to the Wasaga SSM claim VECC requests that the Board consider the issue raised above and make an appropriate determination in the best interests of ratepayers.

2.22 The precedent value of the Board's determinations in this case cannot be underestimated. Several other utilities are following Wasaga's approach and the aggregate impact on ratepayers is significant.

3 Recovery of Reasonably Incurred Costs

3.1 VECC submits that its participation in this proceeding has been focused and responsible.

3.2 Accordingly, VECC requests an award of costs in the amount of 100% of its reasonably-incurred fees and disbursements.

All of which is respectfully submitted this 14th day of January 2011